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DEPARTMENT OF COMMERCE

Bureau of Industry and Security

15 CFR Parts 732, 738, 740, 742, 744, 746 and 774

[Docket No. 140729634-4638-01]

RIN 0694-AG25

Russian Oil Industry Sanctions and Addition of Person to the Entity List

AGENCY: Bureau of Industry and Security, Commerce.

ACTION: Final rule.

SUMMARY: In this rule, the Bureau of Industry and Security (BIS) amends the Export Administration Regulations (EAR) by adding one person to the Entity List. The person who is added to the Entity List is located in Russia and has been determined by the U.S.

Government to be acting contrary to the national security or foreign policy interests of the United States. This person will be listed on the Entity List under the destination of Russia.

This rule also imposes controls on certain items for use in Russia's energy sector intended for energy exploration or production from deepwater (greater than 500 feet), Arctic offshore, or shale projects.

DATES: *Effective date:* This rule is effective [INSERT DATE OF PUBLICATION IN FEDERAL REGISTER].

FOR FURTHER INFORMATION CONTACT: For the change to Russia licensing policy contact Eileen Albanese, Director, Office of National Security and Technology Transfer Controls, Bureau of Industry and Security, Department of Commerce, Phone: (202) 482-0092, Fax: (202) 482-482-3355, E-mail: rp2@bis.doc.gov. For emails, include "Russia" in the subject line.

For the Entity List-related changes contact the Chair, End-User Review Committee, Office of the Assistant Secretary, Export Administration, Bureau of Industry and Security, Department of Commerce, Phone: (202) 482-5991, Fax: (202) 482-3911, E-mail: ERC@bis.doc.gov.

SUPPLEMENTARY INFORMATION:

Background

In this rule, the Bureau of Industry and Security (BIS) amends the Export Administration Regulations (EAR) to impose additional sanctions implementing U.S. policy toward Russia to address that country's continuing policy of destabilization in Ukraine and continuing occupation of Crimea and Sevastopol. Specifically, in this rule BIS adds one person to the Entity List. In addition, this rule imposes controls on certain items for use in Russia's energy sector intended for exploration or production from deepwater (greater than 500 feet), Arctic offshore, or shale projects that have the potential to produce oil or gas in Russia.

A. The Entity List

The Entity List (Supplement No. 4 to Part 744) notifies the public about entities that have engaged in activities that could result in an increased risk of the diversion of exported, reexported or transferred (in-country) items to weapons of mass destruction (WMD) programs, activities sanctioned by the State Department and activities contrary to U.S. national security or foreign policy interests, including terrorism and export control violations involving abuse of human rights. Certain exports, reexports, and transfers (in-country) to entities identified on the Entity List require licenses from BIS and are usually subject to a policy of denial. The availability of license exceptions in such transactions is very limited. The license review policy for each entity is identified in the license review policy column on the Entity List and the availability of license exceptions is noted in the

Federal Register notices adding persons to the Entity List. BIS places entities on the Entity List based on certain sections of part 744 (Control Policy: End-User and End-Use Based) of the EAR.

The End-User Review Committee (ERC), composed of representatives of the Departments of Commerce (Chair), State, Defense, Energy and, where appropriate, the Treasury, makes all decisions regarding additions to, removals from, or other modifications to the Entity List. The ERC makes all decisions to add an entry to the Entity List by majority vote and all decisions to remove or modify an entry by unanimous vote. The Departments represented on the ERC approved this change to the Entity List.

Addition to the Entity List in this rule

This rule implements the decision of the ERC to add one person to the Entity List on the basis of § 744.11 (License requirements that apply to entities acting contrary to the national security or foreign policy interests of the United States) of the EAR. The entry added to the Entity List consists of one person in Russia.

The ERC reviewed § 744.11(b) (Criteria for revising the Entity List) in making the determination to add this person to the Entity List. Under that paragraph, persons for whom there is reasonable cause to believe, based on specific and articulable facts, have been involved, are involved, or pose a significant risk of being or becoming involved in, activities that are contrary to the national security or foreign policy interests of the United States and those acting on behalf of such persons may be added to the Entity List. The person being added to the Entity List has been determined by the ERC to be involved in activities that are contrary to the national security or foreign policy interests of the United

States. Those activities are described in Executive Order 13661 (79 FR 15533), *Blocking Property of Additional Persons Contributing to the Situation in Ukraine*, issued by the President on March 16, 2014. This Order expanded the scope of the national emergency declared in Executive Order 13660, finding that the actions and policies of the Government of the Russian Federation with respect to Ukraine – including the deployment of Russian Federation military forces in Crimea (Occupied) – undermine democratic processes and institutions in Ukraine; threaten its peace, security, stability, sovereignty, and territorial integrity; and contribute to the misappropriation of its assets, and thereby constitute an unusual and extraordinary threat to the national security and foreign policy of the United States.

Specifically, Executive Order 13661 includes a directive that all property and interests in property that are in the United States, that hereafter come within the United States, or that are or thereafter come within the possession or control of any United States person (including any foreign branch) of the following persons are blocked and may not be transferred, paid, exported, withdrawn, or otherwise dealt in: persons operating in the defense or related materiel sector in the Russian Federation. Under Section 8 of the Order, all agencies of the United States Government are directed to take all appropriate measures within their authority to carry out the provisions of the Order. The Department of the Treasury's Office of Foreign Assets Control, pursuant to Executive Order 13661, has designated the following person: United Shipbuilding Corporation. In conjunction with that designation, the Department of Commerce adds to the Entity List under this rule and imposes a license requirement for exports, reexports, or transfers (in-country) to this

blocked person. This license requirement implements an appropriate measure within the authority of the EAR to carry out the provisions of Executive Order 13661.

The person added to the Entity List in this rule under Executive Order 13661 operates in the Russian Federation's defense or related materiel sector. United Shipbuilding Corporation is a Russian state-owned company that manufactures, among other things, ordnance and accessories, and is engaged in shipbuilding, repair, and maintenance. Therefore, pursuant to § 744.11 of the EAR, the conduct of this person raises sufficient concern that prior review of exports, reexports, or transfers (in-country) of items subject to the EAR involving this person, and the possible imposition of license conditions or license denials on shipments to these persons, will enhance BIS's ability to protect the foreign policy and national security interests of the United States.

For the person added to the Entity List, there is a license requirement for all items subject to the EAR and a license review policy of presumption of denial. The license requirements apply to any transaction in which items are to be exported, reexported, or transferred (in-country) to any of the persons or in which such persons act as purchaser, intermediate consignee, ultimate consignee, or end-user. In addition, no license exceptions are available for exports, reexports, or transfers (in-country) to the person being added to the Entity List in this rule.

This final rule adds the following person to the Entity List:

Russia

1. United Shipbuilding Corporation, a.k.a., the following four aliases:

-Obedinennaya Sudostroitel'naya Korporatsiya OAO;

-OJSC United Shipbuilding Corporation; *and*

-United Shipbuilding Corporation Joint Stock Company; *and*

-OSK OAO.

90, Marata ul., St. Petersburg 191119, Russia; *and*

11, Sadovaya-Kudrinskaya str., Moscow 123242, Russia.

B. Change to the license requirements and review policy for Russia

This final rule makes the following additional changes to the EAR to implement changes to the license requirements and review policy for Russia.

Section 732.3 Steps regarding the ten general prohibitions.

In paragraph (d)(4), this rule adds Russia to the list of countries that are subject to other special controls provisions. Specifically, this paragraph indicates that the Commerce Country Chart in Supplement No. 1 to part 738 sets forth license requirements for Russia, and part 746 sets out additional license requirements. In paragraph (i), this rule also adds a sentence referencing § 746.5 for Russian Industry Sector Sanctions.

Supplement No. 1 to Part 738 – Commerce Country Chart.

This rule adds a new footnote 6 designation for Russia to alert members of the public to additional license requirements pursuant to § 746.5 Russian Industry Sector Sanctions for ECCNs 0A998, 1C992, 3A229, 3A231, 3A232, 6A991, 8A992, and 8D999.

Section 740.2 Restrictions on all license exceptions.

This rule revises § 740.2(a)(6) by adding restrictions on license exception eligibility when a license is required under limited sanctions for specified countries, unless a license exception or portion thereof is specifically listed in the license exceptions paragraph pertaining to a particular sanctioned country. Specifically, Russia (§ 746.5) is added. This change clarifies restrictions for license exceptions that are not specifically authorized to countries under limited sanctions in part 746, as well as implementing this restriction for the limited sanctions on Russia.

Section 742.4 National security.

This rule removes Russia's favorable license review status under national security reasons for control in § 742.4(b)(5). In light of recent actions by Russia and the sanctions that the U.S. and other countries are placing on Russia, this favorable license review status is removed. As a result of this rule, Russia will no longer receive the enhanced favorable licensing treatment previously afforded to Russia under § 742.4(b)(5). Instead, the licensing policy for Russia will be the general licensing policy for countries in Country Group D:1 as set forth in § 742.4(b)(2). Kazakhstan and Mongolia will continue to receive enhanced favorable licensing treatment under § 742.4(b)(5).

Section 746.1 Introduction.

This rule redesignates paragraph (c) as paragraph (d) and adds a new paragraph (c) to explain where to find the Russian Industry Sector Sanctions in part 746, as well as

where these sanctions are referenced in the EAR.

Section 746.5 Russian Industry Sector Sanctions.

This rule adds new § 746.5 entitled Russian Industry Sector Sanctions. This section imposes controls on the export, reexport or transfer (in-country) of any item subject to the EAR listed in Supplement No. 2 to this part and items specified in ECCNs 0A998, 1C992, 3A229, 3A231, 3A232, 6A991, 8A992, and 8D999 when the exporter, reexporter or transferor knows or is informed that the item will be used directly or indirectly in Russia's energy sector for exploration or production from deepwater (greater than 500 feet) , Arctic offshore, or shale projects in Russia that have the potential to produce oil or gas or is unable to determine whether the item will be used in such projects in Russia.

Such items include, but are not limited to, drilling rigs, parts for horizontal drilling, drilling and completion equipment, subsea processing equipment, Arctic-capable marine equipment, wireline and down hole motors and equipment, drill pipe and casing, software for hydraulic fracturing, high pressure pumps, seismic acquisition equipment, remotely operated vehicles, compressors, expanders, valves, and risers. No license exceptions may overcome the license requirements set forth in § 746.5, except License Exception GOV § 740.11(b).

The license review policy for all items requiring a license for export to Russia is presumption of denial when there is potential for use directly or indirectly for exploration or production from deepwater (greater than 500 feet), Arctic offshore, or shale projects in Russia that have the potential to produce oil. To assist in the identification of such

license applications, this rule indicates that license applications submitted to BIS under this section may include the phrase “section 746.5” in Block 9 (Special Purpose) in Supplement No. 1 to part 748.

Supplement No. 2 to Part 746 – Russian Industry Sector Sanctions List.

This rule adds Supplement No. 2 to Part 746 to a supplement that was previously reserved under the EAR. This new Supplement No. 2 identifies items that are subject to the new § 746.5 Russian Industry Sector Sanctions, in addition to the five ECCNs identified in that section. The items identified in new Supplement No. 2 are set forth as “Schedule B numbers.” A Schedule B number is a 10-digit commodity classification number administered by the Census Bureau and is used for reporting foreign trade. The source for the Schedule B numbers and descriptions in this list is the Bureau of the Census’s Schedule B concordance of exports 2014. Census’s Schedule B List 2014 can be found at <http://www.census.gov/foreign-trade/schedules/b/2014/index.html> .

Supplement No. 1 to Part 774 – Commerce Control List.

ECCNs 1C992, 3A229, 3A231, 3A232, 6A991, and 8A992 are amended by revising the License Requirements sections to add a license requirement that applies to these ECCNs when destined to Russia pursuant to § 746.5 of the EAR.

ECCN 0A998 is added to control specific oil and gas exploration items, including software and data. Many U.S. companies are hired to provide or analyze seismic or other types of data in order to assist in oil exploration. This data does not come within the

definition of “technology,” as it does not pertain to the development, production or use of listed commodities or software, and is not specific information necessary for any of the following: operation, installation, maintenance, repair, overhaul, refurbishing, or other terms specified in ECCNs on the CCL that control technology. However, this data product obtained through the analysis of raw seismic or other types of data is a commodity sold by companies. Such data is now controlled under this new entry. The Commerce Country Chart in Supplement No. 1 to part 738 is not designed to provide license requirements for this type of license requirement. In addition, BIS is making an exception to its general policy of not including software in A group ECCNs and is including oil and gas exploration software in ECCN 0A998. For more precise information about the license requirement and license review policy under the Russian Industry Sector Sanctions, see § 746.5 of the EAR.

ECCN 8D999 is added to the Commerce Control List to control software specially designed for the operation of unmanned vessels used in the oil and gas industry of Russia. For more information about the license requirements and license review policy under the Russian Industry Sector Sanctions, see § 746.5 of the EAR.

No Savings Clause

Given the foreign policy objective of this rule, there is no savings clause in this rule. Accordingly, shipments of items removed from eligibility for a License Exception or export or reexport without a license (NLR) as a result of this regulatory action that were en route aboard a carrier to a port of export or reexport, on [INSERT DATE OF

PUBLICATION], pursuant to actual orders for export or reexport to a foreign destination, may not proceed to that destination under the previous eligibility for a License Exception or export or reexport without a license (NLR).

Foreign Policy Report

The application of Russian Industry Sector Sanctions controls to the items covered by this rule imposes a foreign policy control. Section 6(f) of the Export Administration Act requires that a report be delivered to Congress before imposing such controls. The report was delivered to Congress on August 1, 2014.

Export Administration Act

Although the Export Administration Act expired on August 20, 2001, the President, through Executive Order 13222 of August 17, 2001, 3 CFR, 2001 Comp., p. 783 (2002), as amended by Executive Order 13637 of March 8, 2013, 78 FR 16129 (March 13, 2013) and as extended by the Notice of August 8, 2013, 78, 2013, 78 FR 49107 (August 12, 2013), has continued the Export Administration Regulations in effect under the International Emergency Economic Powers Act. BIS continues to carry out the provisions of the Export Administration Act, as appropriate and to the extent permitted by law, pursuant to Executive Order 13222 as amended by Executive Order 13637.

Rulemaking Requirements

1. Executive Orders 13563 and 12866 direct agencies to assess all costs and benefits of available regulatory alternatives and, if regulation is necessary, to select regulatory approaches that maximize net benefits (including potential economic, environmental, public health and safety effects, distributive impacts, and equity). Executive Order 13563 emphasizes the importance of quantifying both costs and benefits, of reducing costs, of harmonizing rules, and of promoting flexibility. This rule has been determined to be not significant for purposes of Executive Order 12866.

2. Notwithstanding any other provision of law, no person is required to respond to nor be subject to a penalty for failure to comply with a collection of information, subject to the requirements of the Paperwork Reduction Act of 1995 (44 U.S.C. 3501 et seq.) (PRA), unless that collection of information displays a currently valid Office of Management and Budget (OMB) Control Number. This regulation involves collections previously approved by OMB under control number 0694–0088, Simplified Network Application Processing System, which includes, among other things, license applications and carries a burden estimate of 43.8 minutes for a manual or electronic submission.

Total burden hours associated with the PRA and OMB control number 0694–0088 are not expected to increase as a result of this rule. You may send comments regarding the collection of information associated with this rule, including suggestions for reducing the burden, to Jasmeet K. Seehra, Office of Management and Budget (OMB), by e-mail to Jasmeet_K._Seehra@omb.eop.gov, or by fax to (202) 395-7285.

3. This rule does not contain policies with Federalism implications as that term is defined in Executive Order 13132.

4. The provisions of the Administrative Procedure Act (5 U.S.C. 553) requiring notice of proposed rulemaking, the opportunity for public comment and a delay in effective date are inapplicable because this regulation involves a military or foreign affairs function of the United States. (*See* 5 U.S.C. 553(a)(1)). BIS implements this rule to advance U.S. policy toward Russia and therefore protect U.S. national security or foreign policy interests by preventing items from being exported, reexported, or transferred (in country) to the person being added to the Entity List, and for use in Russia's energy sector intended for exploration or production from deepwater (greater than 500 feet), Arctic offshore, or shale projects that have the potential to produce oil. If this rule were delayed to allow for notice and comment and a delay in effective date, then the entity being added to the Entity List by this action would continue to be able to receive items without a license and to conduct activities contrary to the national security or foreign policy interests of the United States. In addition, publishing a proposed rule would give this party notice of the U.S. Government's intention to place the person on the Entity List and would create an incentive for this person to either accelerate receiving items subject to the EAR to conduct activities that are contrary to the national security or foreign policy interests of the United States, and/or to take steps to set up additional aliases, change addresses, and other measures to try to limit the impact of the listing on the Entity List once a final rule was published. In addition, U.S. national security and foreign policy also would be undermined by not immediately restricting the export, reexport or transfer

(in-country) of certain items related to the energy sector in Russia. Further, no other law requires that a notice of proposed rulemaking and an opportunity for public comment be given for this rule. Because a notice of proposed rulemaking and an opportunity for public comment are not required to be given for this rule by 5 U.S.C. 553, or by any other law, the analytical requirements of the Regulatory Flexibility Act, 5 U.S.C. 601 *et seq.*, are not applicable. Accordingly, no regulatory flexibility analysis is required and none has been prepared.

List of Subjects

15 CFR Parts 732 and 740

Administrative practice and procedure, Exports, Reporting and recordkeeping requirements.

15 CFR Part 738

Exports.

15 CFR Part 742

Exports, Terrorism.

15 CFR Part 744

Exports, Reporting and recordkeeping requirements, Terrorism.

15 CFR Part 746

Exports, Reporting and recordkeeping requirements.

15 CFR Part 774

Exports, Reporting and recordkeeping requirements.

Accordingly, parts 732, 738, 740, 742, 744, 746 and 774 of the Export Administration Regulations (15 CFR parts 730–774) are amended as follows:

PART 732—[AMENDED]

1. The authority citation for 15 CFR part 732 continues to read as follows:

Authority: 50 U.S.C. app. 2401 et seq.; 50 U.S.C. 1701 et seq.; E.O. 13026, 61 FR 58767, 3 CFR, 1996 Comp., p. 228; E.O. 13222, 66 FR 44025, 3 CFR, 2001 Comp., p. 783; Notice of August 8, 2013, 78 FR 49107 (August 12, 2013).

2. Section 732.3 is amended:

- a. By revising paragraph (d)(4); and

- b. By revising paragraph (i) introductory text to read as follows:

§ 732.3 Steps regarding the ten general prohibitions.

(d) ***

(4) Destinations subject to embargo and other special controls provisions. The Country Chart does not apply to Cuba, Iran, North Korea, and Syria. For those countries you

should review the provisions at part 746 of the EAR and may skip this step concerning the Country Chart. For Iraq and Russia, the Country Chart provides for certain license requirements, and part 746 of the EAR provides additional requirements.

* * * * *

(i) *Step 14: Embargoed countries and special destinations.* If your destination for any item is Cuba, Iran, Iraq, North Korea, or Syria, you must consider the requirements of parts 742 and 746 of the EAR. Unless otherwise indicated, General Prohibition Six (Embargo) applies to all items subject to the EAR, i.e. both items on the CCL and within EAR99. See §746.1(b) for destinations subject to limited sanctions under United Nations Security Council arms embargoes. See § 746.5 for Russian Industry Sector Sanctions. You may not make an export or reexport contrary to the provisions of part 746 of the EAR without a license unless:

* * * * *

Part 738 - [AMENDED]

3. The authority citation for 15 CFR part 738 continues to read as follows:

Authority: 50 U.S.C. app. 2401 et seq.; 50 U.S.C. 1701 et seq.; 10 U.S.C. 7420; 10 U.S.C. 7430(e); 22 U.S.C. 287c; 22 U.S.C. 3201 et seq.; 22 U.S.C. 6004; 30 U.S.C. 185(s), 185(u); 42 U.S.C. 2139a; 42 U.S.C. 6212; 43 U.S.C. 1354; 15 U.S.C. 1824a; 50 U.S.C. app. 5; 22 U.S.C. 7201 et seq.; 22 U.S.C. 7210; E.O. 13026, 61 FR 58767, 3 CFR, 1996 Comp., p. 228; E.O. 13222, 66 FR 44025, 3 CFR, 2001 Comp., p. 783; Notice of August 8, 2013, 78 FR 49107 (August 12, 2013).

4. Supplement No. 1 to part 738 is amended by:
 - a. Adding footnote designation “6” to “Russia”; and
 - b. Adding footnote 6 to read as follows:

Supplement No. 1 to Part 738 – Commerce Country Chart

⁶ See § 746.5 for additional license requirements under the Russian Industry Sector Sanctions for ECCNs 0A998, 1C992, 3A229, 3A231, 3A232, 6A991, 8A992, and 8D999.

Part 740 - [AMENDED]

5. The authority citation for 15 CFR part 740 continues to read as follows:

Authority: 50 U.S.C. app. 2401 et seq.; 50 U.S.C. 1701 et seq.; 22 U.S.C. 7201 et seq.; E.O. 13026, 61 FR 58767, 3 CFR, 1996 Comp., p. 228; E.O. 13222, 66 FR 44025, 3 CFR, 2001 Comp., p. 783; Notice of August 8, 2013, 78 FR 49107 (August 12, 2013).

6. Section 740.2 is amended by revising paragraph (a)(6) to read as follows:

§ 740.2 Restrictions on all license exceptions.

(a) ***

(6) The export or reexport is to a sanctioned destination (Cuba, Iran, North Korea, and Syria) or a license is required based on a limited sanction (Russia) unless a license exception or portion thereof is specifically listed in the license exceptions paragraph

pertaining to a particular sanctioned country in part 746 of the EAR.

Part 742 - [AMENDED]

7. The authority citation for 15 CFR part 742 continues to read as follows:

Authority: 50 U.S.C. app. 2401 et seq.; 50 U.S.C. 1701 et seq.; 22 U.S.C. 3201 et seq.; 42 U.S.C. 2139a; 22 U.S.C. 7201 et seq.; 22 U.S.C. 7210; Sec. 1503, Pub. L. 108–11, 117 Stat. 559; E.O. 12058, 43 FR 20947, 3 CFR, 1978 Comp., p. 179; E.O. 12851, 58 FR 33181, 3 CFR, 1993 Comp., p. 608; E.O. 12938, 59 FR 59099, 3 CFR, 1994 Comp., p. 950; E.O. 13026, 61 FR 58767, 3 CFR, 1996 Comp., p. 228; E.O. 13222, 66 FR 44025, 3 CFR, 2001 Comp., p. 783; Presidential Determination 2003–23 of May 7, 2003, 68 FR 26459, May 16, 2003; Notice of August 8, 2013, 78 FR 49107 (August 12, 2013); Notice of November 7, 2013, 78 FR 67289 (November 12, 2013).

8. Section 742.4(b)(5) is amended to read as follows:

§742.4 National security.

(b) ***

(5) In recognition of efforts made to adopt safeguard measures for exports and reexports, Kazakhstan and Mongolia are accorded enhanced favorable consideration licensing treatment.

PART 744—[AMENDED]

9. The authority citation for 15 CFR part 744 continues to read as follows:

Authority: 50 U.S.C. app. 2401 *et seq.*; 50 U.S.C. 1701 *et seq.*; 22 U.S.C. 3201 *et seq.*; 42 U.S.C. 2139a; 22 U.S.C. 7201 *et seq.*; 22 U.S.C. 7210; E.O. 12058, 43 FR 20947, 3 CFR, 1978 Comp., p. 179; E.O. 12851, 58 FR 33181, 3 CFR, 1993 Comp., p. 608; E.O. 12938, 59 FR 59099, 3 CFR, 1994 Comp., p. 950; E.O. 12947, 60 FR 5079, 3 CFR, 1995 Comp., p. 356; E.O. 13026, 61 FR 58767, 3 CFR, 1996 Comp., p. 228; E.O. 13099, 63 FR 45167, 3 CFR, 1998 Comp., p. 208; E.O. 13222, 66 FR 44025, 3 CFR, 2001 Comp., p. 783; E.O. 13224, 66 FR 49079, 3 CFR, 2001 Comp., p. 786; Notice of August 8, 2013, 78 FR 49107 (August 12, 2013); Notice of September 18, 2013, 78 FR 58151 (September 20, 2013); Notice of November 7, 2013, 78 FR 67289 (November 12, 2013); Notice of January 21, 2014, 79 FR 3721 (January 22, 2014).

10. Supplement No. 4 to part 744 is amended by adding under Russia, in alphabetical order, one Russian entity.

The addition reads as follows:

Supplement No. 4 to Part 744 - Entity List

Country	Entity	License requirement	License review policy	Federal Register citation

Russia	*****			

	United Shipbuilding Corporation, a.k.a., the following four aliases: -Obedinennaya Sudostroitel'naya Korporatsiya OAO; <i>and</i> -OJSC United Shipbuilding Corporation; <i>and</i> -United Shipbuilding Corporation Joint Stock Company; <i>and</i> -OSK OAO. 90, Marata ul., St. Petersburg 191119, Russia; <i>and</i> 11, Sadovaya-Kudrinskaya str., Moscow 123242, Russia.	For all items subject to the EAR. (See §744.11 of the EAR).	Presumption of denial.	79 FR [INSERT FR PAGE NUMBER AND DATE OF PUBLICATION IN THE FEDERAL REGISTER].

Part 746 - [AMENDED]

11. The authority citation for 15 CFR part 746 continues to read as follows:

Authority: 50 U.S.C. app. 2401 *et seq.*; 50 U.S.C. 1701 *et seq.*; 22 U.S.C. 287c; Sec 1503, Pub. L. 108-11, 117 Stat. 559; 22 U.S.C. 6004; 22 U.S.C. 7201 *et seq.*; 22 U.S.C. 7210; E.O. 12854, 58 FR 36587, 3 CFR, 1993 Comp., p. 614; E.O. 12918, 59 FR 28205, 3 CFR, 1994 Comp., p. 899; E.O. 13222, 66 FR 44025, 3 CFR, 2001 Comp., p. 783; E.O. 13338, 69 FR 26751, 3 CFR, 2004 Comp., p 168; Presidential Determination 2003-23 of May 7, 2003, 68 FR 26459, May 16, 2003; Presidential Determination 2007-7 of December 7, 2006, 72 FR 1899 (January 16, 2007); Notice of August 8, 2013, 78 FR 49107 (August 12, 2013); Notice of May 7, 2014, 79 FR 26589 (May 9, 2014).

12. Section 746.1 is amended by redesignating paragraph (c) as (d) and adding a new

paragraph (c) to read as follows.

§ 746.1 Introduction.

(c) *Russian Industry Sector Sanctions.* The Russian Industry Sector Sanctions are set forth under § 746.5 and referenced under the License Requirements section of certain Export Control Classification Numbers (ECCNs) in Supplement No. 1 to part 774 (Commerce Control List), as well as in a footnote to the Commerce Country Chart in Supplement No. 1 to part 738.

13. Add § 746.5 to read as follows:

§ 746.5 Russian Industry Sector Sanctions.

(a) *License requirements.* (1) *General prohibition.* As authorized by Section 6 of the Export Administration Act of 1979, a license is required to export, reexport or transfer (in-country) any item subject to the EAR listed in Supplement No. 2 to this part and items specified in ECCNs 0A998, 1C992, 3A229, 3A231, 3A232, 6A991, 8A992, and 8D999 when you know that the item will be used directly or indirectly in exploration for, or production of, oil or gas in Russian deepwater (greater than 500 feet) or Arctic offshore locations or shale formations in Russia, or are unable to determine whether the item will be used in such projects. Such items include, but are not limited to, drilling rigs, parts for horizontal drilling, drilling and completion equipment, subsea processing equipment, Arctic-capable marine equipment, wireline and down hole motors and equipment, drill pipe and casing, software for hydraulic fracturing, high pressure pumps, seismic acquisition equipment, remotely operated vehicles, compressors, expanders, valves, and

risers. You should be aware that other provisions of the EAR, including parts 742 and 744, also apply to exports and reexports to Russia. License applications submitted to BIS under this section may include the phrase “section 746.5” in Block 9 (Special Purpose) in Supplement No. 1 to part 748.

(2) *Additional prohibition on those informed by BIS.* BIS may inform persons, either individually by specific notice or through amendment to the EAR, that a license is required for a specific export, reexport or transfer (in-country) or for the export, reexport, or transfer (in-country) of specified items to a certain end-user, because there is an unacceptable risk of use in, or diversion to, the activities specified in paragraph (a)(1) of this section in Russia. Specific notice is to be given only by, or at the direction of, the Deputy Assistant Secretary for Export Administration. When such notice is provided orally, it will be followed by a written notice within two working days signed by the Deputy Assistant Secretary for Export Administration. However, the absence of any such notification does not excuse persons from compliance with the license requirements of paragraph (a)(1) of this section.

(b) *Licensing policy.* Applications for the export, reexport or transfer (in-country) of any item that requires a license for Russia will be reviewed with a presumption of denial when for use directly or indirectly for exploration or production from deepwater (greater than 500 feet), Arctic offshore, or shale projects in Russia that have the potential to produce oil.

(c) *License exceptions.* No license exceptions may overcome the license requirements set forth in this section, except License Exception GOV (§ 740.11(b)).

14. Supplement No. 2 to part 746 is added to read as follows:

SUPPLEMENT NO. 2 TO PART 746 – RUSSIAN INDUSTRY SECTOR

SANCTION LIST

The source for the Schedule B numbers and descriptions in this list comes from the Bureau of the Census’s Schedule B concordance of exports 2014. Census’s Schedule B List 2014 can be found at <http://www.census.gov/foreign-trade/schedules/b/2014/index.html> The Introduction Chapter of the Schedule B provides important information about classifying products and interpretations of the Schedule B, e.g., NESOI means Not Elsewhere Specified or Included. In addition, important information about products within a particular chapter may be found at the beginning of chapters.

Schedule B	Description
7304110000	LINE PIPE OF A KIND USED FOR OIL OR GAS PIPELINES, SEAMLESS, OF STAINLESS STEEL
7304191020	LINE PIPE OF A KIND USED FOR OIL OR GAS PIPELINES, SEAMLESS, OF IRON (NONCAST) OR NONALLOY STEEL, WITH AN OUTSIDE DIAMETER NOT EXCEEDING 114.3 MM
7304191050	LINE PIPE FOR OIL OR GAS PIPELINES, SEAMLESS, IRON (NONCAST) OR NONALLOY STEEL, WITH OUTSIDE DIAMETER OVER 114.3 MM BUT NOT OVER 406.4 MM
7304191080	LINE PIPE OF A KIND USED FOR OIL OR GAS PIPELINES, SEAMLESS, OF IRON (NONCAST) OR NONALLOY STEEL, WITH AN OUTSIDE DIAMETER EXCEEDING 406.4 MM
7304195020	LINE PIPE OF A KIND USED FOR OIL OR GAS PIPELINES, SEAMLESS, OF OTHER ALLOY STEEL, NOT STAINLESS, WITH AN OUTSIDE DIAMETER NOT EXCEEDING 114.3 MM
7304195050	LINE PIPE, USED FOR OIL OR GAS PIPELINES, SEAMLESS, OF OTHER ALLOY STEEL, NOT STAINLESS, WITH AN OUTSIDE

	DIAMETER >114.3 MM, BUT <406.4 MM
7304195080	LINE PIPE OF A KIND USED FOR OIL OR GAS PIPELINES, SEAMLESS, OF ALLOY STEEL, NOT STAINLESS, WITH AN OUTSIDE DIAMETER EXCEEDING 406.4 MM
7304220000	OIL WELL DRILL PIPE, OF STAINLESS STEEL
7304233000	OIL WELL DRILL PIPE, OF IRON OR NONALLOY STEEL
7304236000	OIL WELL DRILL PIPE, OF ALLOY STEEL OTHER THAN STAINLESS STEEL
7304241000	OIL WELL CASING OF STAINLESS STEEL
7304246000	OIL WELL TUBING OF STAINLESS STEEL
7304291055	OIL WELL CASING OF IRON OR NONALLOY STEEL
7304293155	OIL WELL CASING OF OTHER ALLOY STEEL NOT STAINLESS
7304295000	OIL WELL TUBING OF IRON OR NONALLOY STEEL
7304296100	OIL WELL TUBING OF OTHER ALLOY STEEL OTHER THAN STAINLESS STEEL
7305111000	LINE PIPE FOR OIL OR GAS, LONGITUDINALLY SUBMERGED ARC WELDED, EXTERNAL DIAMETER MORE THAN 406.4MM, CIRCULAR CROSS-SECTIONS, OF IRON OR NONALLOY STEEL
7305115000	LINE PIPE FOR OIL/GAS PIPELINES, LONGITUDINALLY SUBMERGED ARC WELDED WITH EXTERNAL DIAMETER OVER 406.4MM, OF ALLOY STEEL, WITH CIRCULAR CROSS-SECTION
7305121000	LINE PIPE FOR OIL OR GAS, OTHER LONGITUDINALLY WELDED, EXTERNAL DIAMETER MORE THAN 406.4MM, CIRCULAR CROSS-SECTION, IRON OR NONALLOY STEEL
7305125000	LINE PIPE FOR OIL OR GAS PIPELINES, LONGITUDINALLY WELDED WITH EXTERNAL DIAMETER >406.4MM, OF ALLOY STEEL, WITH CIRCULAR CROSS SECTION
7305191000	LINE PIPE FOR OIL OR GAS OTHER THAN LONGITUDINALLY WELDED, EXTERNAL DIAMETER MORE THAN 406.4MM, CIRCULAR CROSS-SECTION, IRON OR NONALLOY STEEL
7305195000	LINE PIPE FOR OIL OR GAS PIPELINES, WITH EXTERNAL DIAMETER >406.4MM, OF ALLOY STEEL, CIRCULAR CROSS SECTION, WELDED/RIVETED, NESOI
7305203000	CASING, OIL OR GAS DRILLING, OTHER THAN SEAMLESS, CIRCULAR CROSS-SECTION, EXTERNAL DIAMETER OVER 406.4MM, IRON OR NONALLOY STEEL
7305207000	CASING, OIL OR GAS DRILLING, OTHER THAN SEAMLESS, CIRCULAR CROSS-SECTION, EXTERNAL DIAMETER OVER 406.4MM, ALLOY STEEL
7306110000	LINE PIPE FOR OIL OR GAS NOT SEAMLESS NESOI, OF STAINLESS STEEL
7306191000	LINE PIPE FOR OIL OR GAS NOT SEAMLESS NESOI, OF IRON OR NONALLOY STEEL
7306195000	LINE PIPE FOR OIL OR GAS NOT SEAMLESS NESOI, OF ALLOY STEEL OTHER THAN STAINLESS STEEL
7311000000	CONTAINERS FOR COMPRESSED OR LIQUEFIED GAS OF IRON OR

	STEEL
7613000000	ALUMINUM CONTAINERS FOR COMPRESSED OR LIQUEFIED GAS
8207130000	ROCK DRILLING OR EARTH BORING TOOLS WITH WORKING PART OF CERMETS, AND PARTS THEREOF
8207191030	PERCUSSION ROCK DRILL BITS, CORE BITS AND REAMERS, OF BASE METAL, AND PARTS THEREOF
8207192030	ROTARY ROCK DRILL BITS, CORE BITS AND REAMERS OF BASE METAL, AND PARTS THEREOF
8207195030	ROCK DRILLING OR EARTH BORING TOOLS OF BASE METALS, NESOI, AND PARTS THEREOF
8413500010	OIL WELL AND OIL FIELD PUMPS, RECIPROCATING POSITIVE DISPLACEMENT
8413600050	OIL WELL AND OIL FIELD PUMPS, ROTARY POSITIVE DISPLACEMENT
8413820000	LIQUID ELEVATORS
8413920000	PARTS OF LIQUID ELEVATORS
8421398020	ELECTROSTATIC PRECIPITATORS, INDUSTRIAL GAS CLEANING EQUIPMENT
8421398030	INDUSTRIAL GAS CLEANING EQUIPMENT, NESOI
8421398040	GAS SEPARATION EQUIPMENT
8430494000	OFFSHORE OIL AND NATURAL GAS DRILLING AND PRODUCTION PLATFORMS
8430498010	BORING OR SINKING MACHINERY, ROTARY, FOR OIL WELL AND GAS FIELD DRILLING
8430498020	BORING OR SINKING MACHINERY FOR OIL WELL AND GAS FIELD DRILLING, NESOI
8431390050	PARTS SUITABLE FOR USE SOLELY OR PRINCIPALLY WITH THE OIL AND GAS FIELD MACHINERY OF HEADINGS 8425 TO 8430
8431434000	OFFSHORE OIL AND NATURAL GAS DRILLING AND PRODUCTION PLATFORM PARTS, OF SUBHEADING 8430.41 OR 8430.49
8431438010	PARTS OF OIL AND GAS FIELD MACHINERY OF SUBHEADING 8430.49 EXCEPT PARTS OF OFFSHORE DRILLING AND PRODUCTION PLATFORMS
8431438090	PARTS OF BORING OR SINKING MACHINERY OF SUBHEADING 8430.41 OR 8430.49, NESOI
8479899850	OIL AND GAS FIELD WIRE LINE AND DOWNHOLE EQUIPMENT
8705200000	MOBILE DRILLING DERRICKS
8708998175	PARTS AND ACCESSORIES, FOR MOTOR VEHICLES OF HEADING 8705.20, NESOI
8905200000	FLOATING OR SUBMERSIBLE DRILLING OR PRODUCTION PLATFORMS
8905901000	FLOATING DOCKS

15. Reserved Supplement No. 3 to Part 746 is removed.

Part 774 - [AMENDED]

16. The authority citation for 15 CFR part 774 continues to read as follows:

Authority: 50 U.S.C. app. 2401 et seq.; 50 U.S.C. 1701 et seq.; 10 U.S.C. 7420; 10 U.S.C. 7430(e); 22 U.S.C. 287c, 22 U.S.C. 3201 et seq.; 22 U.S.C. 6004; 30 U.S.C. 185(s), 185(u); 42 U.S.C. 2139a; 42 U.S.C. 6212; 43 U.S.C. 1354; 15 U.S.C. 1824a; 50 U.S.C. app. 5; 22 U.S.C. 7201 et seq.; 22 U.S.C. 7210; E.O. 13026, 61 FR 58767, 3 CFR, 1996 Comp., p. 228; E.O. 13222, 66 FR 44025, 3 CFR, 2001 Comp., p. 783; Notice of August 8, 2013, 78 FR 49107 (August 12, 2013).

17. Supplement No. 1 to Part 774, Category 0, ECCN 0A998 is added after 0A988 to read as follows:

Supplement No. 1 to Part 774 – The Commerce Control List

0A998 Oil and gas exploration equipment, software, and data, as follows (see List of Items Controlled).

License Requirements

Reason for Control: Foreign policy

Control(s):	Country Chart.
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Russian industry sector sanction applies to entire entry.	See § 746.5 for specific license requirements and license review policy.
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List Based License Exceptions (See Part 740 for a description of all license exceptions)

LVS: N/A

GBS: N/A

CIV: N/A

List of Items Controlled

Related Controls: N/A

Related Definitions: N/A

Items:

- a. Oil and gas exploration data, e.g., seismic analysis data.
- b. Hydraulic fracturing items, as follows:
 - b.1. Hydraulic fracturing design and analysis software and data.
 - b.2. Hydraulic fracturing ‘proppant,’ ‘fracking fluid,’ and chemical additives therefor.

Technical Note: A ‘proppant’ is a solid material, typically treated sand or man-made ceramic materials, designed to keep an induced hydraulic fracture open, during or following a fracturing treatment. It is added to a ‘fracking fluid’ which may vary in composition depending on the type of fracturing used, and can be gel, foam or slickwater-based.

- b.3. High pressure pumps.

18. Supplement No. 1 to part 774, Category 1, ECCN 1C992 is amended by revising the License Requirements section to read as follows:

1C992 Commercial charges and devices containing energetic materials, n.e.s. and nitrogen trifluoride in a gaseous state (see List of Items Controlled).

License Requirements

Reason for Control: AT, RS

Control(s)	Country Chart (See Supp. No. 1 to part 738)
AT applies to entire entry	AT Column 1.
RS applies to entire entry.	A license is required for items controlled by this entry for export or reexport to Iraq and transfer within Iraq for regional stability reasons. The Commerce Country Chart is not designed to determine RS license requirements for this entry. See §§ 742.6 and 746.3 of the EAR for additional information.
Russian industry sector sanctions apply to entire entry.	See § 746.5 for specific license requirements and license review policy.

19. Supplement No. 1 to part 774, Category 3, ECCN 3A229 is amended by revising the License Requirements section to read as follows:

3A229 Firing sets and equivalent high-current pulse generators (for detonators controlled by 3A232), as follows (see List of Items Controlled).

License Requirements

Reason for Control: NP, AT

Control(s)	Country Chart (See Supp. No. 1 to part 738)
NP applies to entire entry	NP Column 1.
AT applies to entire entry	AT Column 1.
Russian industry sector sanctions apply to entire entry.	See § 746.5 for specific license requirements and license review policy.

20. Supplement No. 1 to part 774, Category 3, ECCN 3A231 is amended by revising the License Requirements section to read as follows:

3A231 Neutron generator systems, including tubes, having both of the following characteristics (see List of Items Controlled).

License Requirements

Reason for Control: NP, AT

Control(s)	Country Chart (See Supp. No. 1 to part 738)
NP applies to entire entry	NP Column 1
AT applies to entire entry	AT Column 1
Russian industry sector sanctions apply to entire	See § 746.5 for specific license requirements and license review policy.

entry.	
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21. Supplement No. 1 to part 774, Category 3, ECCN 3A232 is amended by revising the License Requirements section to read as follows:

3A232 Detonators and multipoint initiation systems, as follows (see List of Items Controlled).

License Requirements

Reason for Control: AT, RS

Control(s)	Country Chart (See Supp. No. 1 to part 738)
NP applies to entire entry	NP Column 1
AT applies to entire entry	AT Column 1
Russian industry sector sanctions apply to entire entry.	See § 746.5 for specific license requirements and license review policy.

22. Supplement No. 1 to part 774, Category 6, ECCN 6A991 is amended by revising the License Requirements section to read as follows:

6A991 Marine or terrestrial acoustic equipment, n.e.s., capable of detecting or locating underwater objects or features or positioning surface vessels or underwater vehicles; and “specially designed” “parts” and “components,” n.e.s.

License Requirements

Reason for Control: AT

Control(s)	Country Chart (See Supp. No. 1 to part 738)
AT applies to entire entry	AT Column 2
Russian industry sector sanctions apply to entire entry.	See § 746.5 for specific license requirements and license review policy.

23. Supplement No. 1 to part 774, Category 8, ECCN 8A992 is amended by revising the License Requirements section to read as follows:

8A992 Vessels, marine systems or equipment, not controlled by 8A001 or 8A002, and “specially designed” “parts” and “components” therefor, and marine boilers and “parts,” “components,” “accessories,” and “attachments” therefor (see List of Items Controlled).

License Requirements

Reason for Control: AT, UN

Control(s)	Country chart (See Supp. No. 1 to part 738)
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AT applies to entire entry	AT Column 1
UN applies to 8A992.1 and m	See §746.1(b) for UN controls
Russian industry sector sanctions apply to entire entry.	See § 746.5 for specific license requirements and license review policy.

24. Supplement No. 1 to part 774, Category 8, ECCN 8D999 is added after ECCN 8D992 to read as follows:

8D999 “Software” “specially designed” for the operation of unmanned submersible vehicles used in the oil and gas industry.

License Requirements

Reason for Control: N/A

Control(s)	Country Chart (See Supp. No. 1 to part 738)
Russian industry sector sanctions apply to entire entry.	See § 746.5 for specific license requirements and license review policy.

List Based License Exceptions (See Part 740 for a description of all license exceptions)

CIV: N/A

TSR: N/A

List of Items Controlled

Related Controls: N/A

Related Definitions: N/A

Items:

The list of items controlled is contained in the ECCN heading.

Dated: August 1, 2014.

Eric L. Hirschhorn,

Under Secretary of Commerce for Industry and Security.

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