



By: The Editorial Board

European sanctions and the cost of internal interests



The European sanctions regime in energy faces the reality of the global market. The focus on Russian companies and tankers has not prevented the continued export of oil and derivatives but has encouraged the development of complex intermediary and logistics structures outside the EU's direct jurisdiction.

The market, as always, moves faster than politics. When oil and derivatives cannot be sold directly, they begin to travel indirectly. When ship bans are imposed, ships appear without clear ownership.

When origin restrictions are introduced, an origin repackaging industry emerges. In this context, a port is no longer just infrastructure; it becomes an instrument of circumvention or implementation of policy.

The inclusion of port terminals in third countries in the **20th package of EU sanctions** signals a change in the understanding of the problem, shifting the focus from the formal origin of goods to the infrastructure through which they are moved.

In the proposal for the 20th package of sanctions, it is envisaged that restrictive measures will be extended to the port of **Kulevi in Georgia** and the **Karimun terminal in Indonesia**, with a ban on business and financial transactions with these facilities for EU companies and individuals.

This is not a technical correction of the sanctions regime; it is a change of philosophy. The EU is thus stating that it will target not only the sender, the ship, and the buyer but also the hubs through which goods pass when their identities are changed.

Kulevi at the centre of sanctions debate

Kulevi is a Black Sea oil terminal in Georgia, operated by SOCAR (State Oil Company of the Azerbaijan Republic). Its role in regional energy flows has brought it into focus in

European discussions on the implementation of sanctions.

In the draft sanctions, according to reports that have reached the public, Kulevi is described as a point used for the maritime transport of crude oil or petroleum products produced in Russia or transported by Russian vessels through irregular and high-risk schemes.

In simpler terms, the EU suspects that traces of Russian goods can be erased through Kulevi, either by mixing, altering documentation, or transferring cargo from ship to ship.

Prime Minister Irakli Kobakhidze publicly rejected the accusations and stated that the government was ready for talks with the EU

In Georgia, the issue is even more sensitive because Kulevi symbolises Tbilisi's political conflict with Brussels.

The ruling Georgian Dream party has significantly worsened relations with the EU in recent years. When reports emerge that the EU could sanction a port facility in Georgia, it is seen in Tbilisi not only as an economic threat but also as a political message.

Prime Minister Irakli Kobakhidze publicly rejected the accusations and stated that the government was ready for talks with the EU, emphasising that Georgia "properly complies" with the sanctions regime.

Such statements are part of standard political communication. Within the EU, however, there is concern that restrictive measures targeting Kulevi could affect energy arrangements with Azerbaijan, which remain strategically important for some members, as Azerbaijan is one of the few remaining reliable sources of gas for part of Europe.

National interests vs firm policy

The Kulevi debate has exposed divisions within the EU. **Greece and Malta** have opposed proposals for a complete ban on shipping services for Russian crude oil, further complicating consideration of sanctions targeting this port in Georgia.

While Kulevi is involved in European energy and political relations, the Karimun terminal in Indonesia primarily tests the EU's ability to enforce sanctions in global trade chains.

The Union seeks a firm policy towards Russia, but every step affecting energy brings member states back to the logic of national interests

Potential sanctions against Kulevi are of particular concern to **Italy and Hungary**, given the route's role in supplying Azerbaijani gas.

This is more significant than the internal European debate itself. This situation highlights the EU's ongoing structural problem even four years after the start of the full-scale war.

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How sanctions create "grey zones"

Karimun, on the other hand, illustrates how sanctions create "grey zones" that become new markets.

The terminal is situated in the free trade zone on the island, about 37 kilometres southwest of Singapore, in one of the world's busiest sea corridors.

In recent years, the Karimun terminal has established itself as a significant transshipment and storage hub for Russian oil products, from which cargoes are re-marketed after changes to origin documentation.

In this process, some goods are physically mixed before export, while certain shipments have been transported by tankers subject to European Union or United Kingdom sanctions.

A product that has been sufficiently transformed can formally be considered as originating in the country where the transformation occurred

These business practices make Karimun relevant to discussions about the effectiveness of the current sanctions regime. The role of such terminals reduces the actual impact of sanctions, as the costs of circumvention become a predictable and acceptable part of trade.

The current model of sanctions circumvention does not rely solely on non-transparent transport or concealment of vessel ownership. Legal loopholes, which allow the declared origin of goods to change after specific processing or mixing, play a key role.

According to the applicable rules of international trade, a product that has been sufficiently transformed can formally be considered as originating in the country where the transformation occurred.

Under sanctions, this legal framework no longer functions as a neutral technical rule but as a mechanism enabling trade to continue with minimal formal risk.

From vessels to infrastructure

The inclusion of port facilities in the sanctions regime marks a shift in how the EU seeks to influence Russian energy exports.

The focus is no longer limited to companies and vessels but now extends to the infrastructure that enables the continuation of trade.

Thus, the sanctions move towards an

approach that produces consequences for entities outside the EU's immediate jurisdiction, including commercial facilities in third countries involved in the logistics of Russian exports.

The Union will need to demonstrate that decisions to sanction port facilities are based on verifiable facts and clearly established criteria

Although the EU's sanctions framework differs from that of the US, its practical effect is similar: third countries and their commercial entities may face restrictions if their operations contribute to continued Russian exports.

In practice, this approach creates several parallel sources of tension that the EU will not be able to separate.

First, a legal question arises. The Union will need to demonstrate that decisions to sanction port facilities are based on verifiable facts and clearly established criteria so that restrictive measures are not considered a selective political tool against countries outside the European bloc.

Otherwise, the credibility of the entire sanctions regime would be called into question.

Sanctions as a diplomatic issue

At the same time, the move has a clear foreign policy dimension. Georgia, although a candidate for EU membership, already finds itself in strained relations with Brussels, while Indonesia plays a significant role in regional relations in the Indo-Pacific.

Openly designating their port installations as sanctions circumvention points would not be seen solely as a technical measure but as a political signal, with the potential for sanctions to become a diplomatic issue.

The Commission's proposal should be viewed primarily as an attempt to change the behaviour of market participants, not merely to expand the list of sanctioned entities

The effect on the market is also inevitable. Restricting activities at key logistics points in the Malacca Strait area affects insurers' and shipping companies' perception of risk, which is quickly reflected in transportation costs and oil prices in Asia.

That market pressure, although indirect, can have wider consequences than the sanctions themselves. The Commission's proposal should be viewed primarily as an attempt to change the behaviour of market participants, not merely to expand the list of sanctioned entities.

Pressure on the system, not the producer

Expanding the list of vessels and restricting their servicing is intended to increase operational uncertainty and logistics costs, particularly for those dependent on informal transport and intermediary networks.

Therefore, the pressure is not applied directly to Russia as a producer, but rather to the stability and reliability of the system that facilitates its exports in practice.

The political-economic framework within which the EU decides on sanctions remains a limiting factor in their implementation.

Reaching agreement among member states is a slow process, while market participants adapt almost immediately.

The EU again faces a tension between the ambition to increase the effectiveness of sanctions and the need to limit the consequences for its own interests

In this context, the opposition of Greece and Malta to measures that would impose a complete ban on insurance and transport services for Russian crude oil has a clear economic rationale, as such restrictions would directly impact the maritime sector, which plays a significant role in both the economy and political decision-making in those countries.

A similar dynamic exists in the case of Kulevi. Italy's reserved attitude does not stem from political disagreement with the objectives of the sanctions but from concern that restrictive measures could affect energy flows in which Azerbaijan plays an important role for part of the European market.

As a result, the EU again faces a tension between the ambition to increase the effectiveness of sanctions and the need to limit the consequences for its own interests.

Such a balance often leads to compromise solutions, leaving room for further adaptation by those seeking to circumvent the sanctions.

Consequences over procedure

The most important aspect of this debate lies in its consequences, not in the procedure for adopting the package.

The key question is not whether the 20th package of sanctions will be formally adopted, but what message the EU will send after its final formulation.

If the restrictive measures against Kulevi and Karimun remain in the text, the Union will for the first time clearly demonstrate its readiness to extend sanctions to logistics hubs in third

countries.

This would signal to similar free trade zones and transshipment terminals that participation in the chains enabling Russian exports carries specific financial and reputational risks.

The EU can formally keep port facilities within the sanctions package while simultaneously narrowing the scope of the measures to limit their actual impact

The opposite outcome would have different implications. The withdrawal of ports from the package would indicate that the sanctions regime can still be relativised with reference to the internal interests of individual member states.

Such a signal would confirm that the scope for adjustment remains broad, further encouraging the development of more sophisticated sanctions circumvention mechanisms.

There is also a possibility that is rarely discussed in public debate but is often the most likely in practice.

The EU can formally keep port facilities within the sanctions package while simultaneously narrowing the scope of the measures to limit their actual impact.

In such a case, the restrictions would apply to a narrow range of transactions, while the majority of operations would remain beyond effective reach.

A test of EU cohesion

Such a solution would enable the EU to maintain the political message of tightening sanctions without causing broader economic disruption.

At the same time, the limited scope of

application would leave enough room for adjustment to trade flows, a pattern to which Russian exporters and their intermediaries are already accustomed.

In this scenario, a formal precedent would not necessarily lead to a substantive change in practice.



What the Kulevi and Karimun cases actually reveal is not the EU's attitude towards Russia, but the limits of its ability to transform sanctions into a stable regulatory framework

For readers seeking clarity, the story of Kulevi and Karimun illustrates the next phase of sanctions. The first phase was a ban on direct purchases. The second targeted ships and insurance. The third phase involves pursuing infrastructure that enables the concealment of origin and ownership.

The EU is now testing whether it has the political strength to enter this third phase. In that decision, not only will the EU's attitude towards Russia be measured, but also its attitude towards its own weaknesses, primarily energy dependence and the internal interests of its members.

What the Kulevi and Karimun cases actually reveal is not the EU's attitude towards Russia, but the limits of its ability to transform sanctions into a stable regulatory framework.

As soon as the measures extend beyond the formal jurisdiction of the Union, sanctions policy stops being a technical issue and becomes a test of internal cohesion, legal resilience, and willingness to accept the consequences of its own decisions.

If the EU fails to ensure consistency and implementation in this area, the sanctions will be nullified by market adjustment rather than by political decision.

In that case, the problem will no longer be who violates the sanctions, but whether they still have operational significance.

The EU will have to provide evidence, establish clear criteria, ensure enforcement, and withstand its own internal resistance.

Otherwise, port sanctioning will remain a political episode, and ports as instruments of circumvention will become the norm.