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RUSSIAN AND AUSTRIAN COMPANIES WITH TIES TO THE RUSSIAN WAR EFFORT ARE DOING BUSINESS WORTH BILLIONS OF EUROS IN ROMANIA

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The illegal and unprovoked invasion of Ukraine by the Russian Federation brought with it not only a battle between soldiers, tanks, planes and warships, but also an unprecedented confrontation in the economic field, matching sanctions against the Moscow war machine and its oligarchs with the countermeasures taken in an attempt to diminish their effect. Romania, a country neighboring Ukraine on NATO's eastern flank, has chosen a relaxed approach when it comes to imposing unilateral sanctions on entities and individuals associated with the Kremlin, as we wrote in an initial report.

Lukoil PJSC (Public Joint Stock Company), the Russian energy colossus, sanctioned in five countries, including the United States, and Strabag SE, one of the largest Austrian companies, which has sanctioned Russian oligarch Oleg Deripaska as a shareholder, together make billions of euro in Romania, being strategic players in the domestic energy market, respectively in construction and infrastructure.

Disclaimer: This report has been prepared with support from IRI's Beacon Project. The opinions expressed are solely those of the author and do not reflect those of IRI.

*Starting from an **investigation** by journalists from Context.ro, in this analysis we will focus on the ties the two companies have with the Kremlin and the Russian war effort, their corporate and executive structure, active sanctions regimes, their business footprint in Romania, as well as on the vulnerabilities of the legislative and regulatory context, which reduce the authorities ability to detect the presence of entities and persons at risk of sanctions.*

*Here you can find the answers from a Strabag representative to questions by Context.ro
Lukoil representatives have not immediately responded to Context.ro questions.*

Brief history and corporate structure

Both companies have decades of history behind them (Strabag has over 180 years of history), so it is difficult to compress the complexities of such a timespan and the magnitude of these companies into a few paragraphs.

Lukoil was **established** in 1991, in the Soviet Union, following the November 25 Decree no. 18, which approved the merger of state oil companies Langepasneftegaz, Uraineftegaz and Kogalymneftegaz. In 1992, 18 state entities were consolidated in Lukoil and privatized by presidential decree, under the Yeltsin administration, becoming **the third largest oil company in the world** in terms of production, after Shell and British Petroleum. In 1993 it became a **joint stock company** listed on the Moscow Stock Exchange. Vagit Alekperov was appointed executive director and chairman of the company's board of directors. He was the main public figure associated with Lukoil, from its early Soviet days, until the invasion of Ukraine in February 2022.

According to Alekperov's Forbes **profile**, he has a fortune of about 23.7 billion dollars. He is 73 years old, born in Azerbaijan (in the former Soviet Union) and graduated Engineering Studies from the Azerbaijan Institute of Petroleum and Chemistry. He worked on oil rigs in the Caspian Sea and rose through the ranks of the industry, reaching the position of Deputy Minister of Petroleum in the Soviet Union.

In a 2004 New York Times **profile**, author Peter Maas, describes Alekperov's office, noting that the only picture he has on his desk is of Vladimir Putin, not of his wife or child. Alekperov is quoted as saying that *"I cannot afford to be indifferent to politics, but I have no personal ambitions. I have only one goal related to politics, to help the country and the company. I am not close to Mr. Putin, but I treat him with great respect."*

The general theme of this profile is the antithetical comparison to Mikhail Khodorkovsky, the latter being the definition of the rebel oligarch, opposed to the Putin regime, ready to challenge the rules of the new post-Yeltsin power, rapacious, capable of anything to achieve his goals. In contrast, Alekperov is portrayed as an ambitious former bureaucrat who dosed his ambition in line with the old teachings of the Soviet hierarchies, cultivating a dull, insipid image that would not draw attention to himself.

In the same interview, Alekperov says “it is impossible to separate the interest of a country and of a company operating within its territory. Our interests are the same. What's good for Russia is good for the company.” In an **article** published in the Washington Post in 2022, Alekperov is characterized (largely by former US Lukoil employees) as partially independent of Putin, with an interest in maintaining a policy as different from the Kremlin's as possible.

Towards the end of the 90s and in the 2000s, Lukoil began to diversify its global investments (Kazakhstan, Iraq, Bulgaria through the Burgas refinery, the United States through the acquisition of 1300 gas stations, Iran, West Africa, Hungary, Central and Eastern Europe, among others). In Romania, Lukoil opened its first gas stations in 1998. In the same year, Lukoil took over the former Petrotel refinery, now Petrotel-Lukoil. In 2004 there was an important **transaction**, the acquisition of 7.6% of Lukoil shares by the American oil giant ConocoPhillips. Although Conoco increased its stake to 20% in the years that followed, the partnership did not last long. In 2011 the American company **sold all shares** owned in Lukoil.

The 2010s were marked by the significant deterioration of relations with the West, with the illegal annexation of Crimea, in 2014. The sanctions imposed by the Obama administration at the time were **relatively mild** and Lukoil shares had an upward **trend** in the 2014-2020 period (until the outbreak of the pandemic). Even though the value of Lukoil shares suffered after February 2022, the price recovered to an all-time high in October 2023. Lukoil continued its expansion in Africa, with the discovery of new hydrocarbon resources in Ghana (2010), exploration and production related to deep-water oil reserves in Sierra Leone (2011) and with the acquisition of production rights for a block located in the territorial waters of the Ivory Coast (2013).

In **2010**, through a consortium with an American company, Vanco International, it won the tender for the exploration and development of two blocks in the Black Sea, Trident and Rapsodia. To date, Lukoil has withdrawn from the Rapsodia perimeter and is still in the exploration phase for the Trident perimeter, with **not very optimistic forecasts** regarding marketability.

In 2014, Petrotel Lukoil SRL was **accused** by prosecutors of tax evasion worth billions of euros, in a case that is now being retried for the third time. Currently, the Ploiești Court, the jurisdiction where the case is retried, has requested a European investigation order, requesting information from the Dutch Trade Register, where the former main shareholder (Lukoil Europe Holdings BV) of Petrotel is registered.

In terms of corporate structure, Lukoil, with its size and geographical dispersion, has a very high degree of complexity. The main company of the group is PJSC Lukoil (Public Joint Stock Company Lukoil). According to a commercial service that provides information for investors, with its main information source being the **S&P Market Intelligence** database, the top 25 shareholders of Lukoil own 58.45% of the shares. The first five shareholders are Vagit Alekperov (30.2%, as of January 25, 2022), Leonid Fedun (9.39%, as of December 1, 2021), Cyproman Holdings Limited (5.36%, as of December 31, 2021), The Vanguard Group, Inc. (2.34%, on August 31, 2022), BlackRock, Inc. (1.74%, on August 31, 2022). A more up-to-date picture of Lukoil's shareholding is available on the **company website**, without naming the owners of the shares, only classifying them into legal entities (92.72%) and natural persons (7.28%).

Leonid Fedun is a former Lukoil executive, close to Alekperov since the privatization era. He has a fortune of about 9 billion dollars, according to Forbes. **Cyproman Holdings Limited** is a Cyprus company that offers various services in the field of finance, management, corporate administration. It is not clear from the available information whether it is acting as an agent for a third party in this capacity, or whether it currently owns shares. **Vanguard Group** and **BlackRock** are two of the largest investment funds in the United States and the world.

With regards to the ultimate beneficial owner statement, both Lukoil România SRL and Petrotel S.A. chose to declare individuals from the executive management in the Register of Real Beneficiaries, kept by the Trade Register.

Strabag has a much longer **history** than Lukoil. The current company represents a merger made in 1998, between two Austrian companies, ILBAU and Strabag AG. The main shareholder of the ILBAU holding took over the majority stake in Strabag. The company that bore the name Strabag AG, part of this merger, was originally a metalworks, agricultural machinery and road grading business, founded in 1966 under the name Remy & Reifenrath.

The name Strabag was adopted in 1930. Since 2000, the brand identity between the two companies has been unified, using only the Strabag name. The company has an **international** presence but it is mainly concentrated in Central and Eastern Europe. It has offices in Africa, Oman, Saudi Arabia, United Arab Emirates, Qatar and Singapore. Strabag has been present in Romania since 1991.

The Haselsteiner family **owns** 28.3% of shares through a foundation. **Klemens Haselsteiner** is the executive director of the group. His father, Hans Peter Haselsteiner, comes from the ILBAU branch of the company and is one of the main individual figures associated with Strabag. He was a **member** of the Austrian Parliament for the Liberal Forum (LIF) party between November 1994 and May 1998. Peter Haselsteiner remained active in politics. During the Austrian presidential elections of 2016, he supported Alexander Van der Bellen, as a "private citizen", donating 100,000 euros and criticizing his opponent, Norbert Hofer, **saying** that a potential Hofer victory could lead to Austria's exit from the European Union.

In 2007, Russian oligarch Oleg Deripaska became a shareholder through an entity called Rasperia Trading Limited. In 2014, his shares reached 25% + 1 share and, according to a February 10, 2023 **statement**, his shares eventually reached 27.8%. In addition to the Haselsteiner family and Deripaska, Austrian companies Uniqa Group (insurance) and Raiffeisen Bank are also significant shareholders in Strabag. Considering the war in Ukraine, the Haselsteiner family is trying to distance itself from Deripaska. Thus, the acquisition of Oleg Deripaska's shares by Raiffeisen is proposed in a **complex deal** between Strabag, Raiffeisen and Rasperia, announced in December 2023. According to a Raiffeisen **communique** on this topic, its Russian subsidiary, AO Raiffeisenbank, would be the one that would buy Rasperia shares, then transfer them to the parent company in Austria in the form of a dividend in kind.

Oleg Deripaska is a Russian oligarch with a complex private and business history. According to **Forbes**, he has a fortune of \$2.6 billion, down massively from his peak in 2008, before the financial crisis, when **he was the richest Russian**. He was born in Dzerzhinsk, the Soviet Union, on January 2, 1968. He **graduated** from the School of Physics at Moscow State University and completed his studies in economics at the Plekhanov Academy. After college, he started a metal trading business, taking advantage of the large price differences between the local market (where he purchased) and the international market (where he sold).

With the profits from this business he bought the Sayanogorsk aluminum smelter in Siberia. In 2000, he led RUSAL from the position of general manager, a conglomerate consisting of several aluminum smelters and refineries, partly owned by him, through Sibirsky Aluminum Group and by Roman Abramovich, through Millhouse Capital. In 2007, RUSAL, the world's third largest aluminum producer, merged with SUAL Group (owned by another Russian oligarch, **Viktor Vekselberg**) and with various assets of Glencore International AG, the Swiss commodities company, forming United Company Rusal, the largest aluminum producer in the world at the time. In 2006, in a leaked confidential **diplomatic telegram**, issued by the United States embassy in Moscow, discussing this merger, refer to Oleg Deripaska as one of the 2-3 oligarchs that Putin turns to regularly.

Deripaska controls his business empire primarily through two companies: Basic Element (formerly Sibirsky Aluminum) and En+ Group. The websites of the two companies have been **offline** since 2018, immediately after the United States government imposed sanctions on Deripaska and his companies. With the help of search engine and Internet archive **Wayback Machine**, we were able to view older versions of the two sites, where we learned that Basic Element has investments in financial services, real estate, construction, agriculture, airports, energy, while En+Group has investments in the metallurgy industry.



Business footprint in Romania

Both companies have a significant presence in Romania, in terms of the turnover generated, the territorial spread, the strategic industries in which they operate and the number of people they employ.

Lukoil has four main entities active in Romania: Lukoil Romania SRL, Petrotel Lukoil S.A., Lukoil Lubricants East Europe SRL and Land Power SRL. They appear in the database of a commercial information service regarding companies registered in Romania, more precisely as results of filtering by the term "Lukoil" in company name or company shareholder name, as well as all associated companies (common shareholder) with these results.

It is possible that Lukoil controls other entities in Romania, but through legal entities that have no obvious connection with it. For example, the company Traun Guard HMS SRL, whose core activity is protection and security services, has, as its main shareholder, a company from Russia called Private Security Company Agency Lukom A, which **was founded** in 1992 by Lukoil to protect its assets in various locations around the globe. It is not clear whether or not the Lukom entity in Russia is still controlled by Lukoil today. Traun Guard HMS recorded a turnover of approximately EUR 6.5 million in 2022, a profit of approximately EUR 1 million and registered 290 employees. An **article** from the Spanish publication El Pais, published June 2023, quoted an expert from the **Ukrainian Institute for the Future** saying that Lukom "was created by agents connected to the KGB" and its purpose would be not only the protection of Lukoil's assets, but also "espionage for the state".

Returning to Lukoil entities in Romania, by far the largest company is Lukoil Romania SRL, with a turnover of approximately 2.7 billion euros in 2022, a profit of approximately 47 million euros and 896 employees, according to data from the Ministry of Finance. The sole shareholder of the company is **Litasco S.A.**, a legal entity registered in Switzerland, the trading division of the Lukoil group. The second largest company is Petrotel Lukoil S.A., which owns and operates the Petrotel refinery in Ploiești. It registered about 198 million euros in turnover in 2022, a loss of about 97 million euros and 435 employees, according to data from the Ministry of Finance. The sole shareholder is also Litasco S.A. Cumulatively, the four companies achieved a turnover of 2.97 billion euros in 2022, with a loss of approximately 75 million euros. A total of 1519 employees were registered.

According to the public procurement official website e-licitatie.ro, Lukoil Romania SRL (the largest entity of the group in Romania) appears to have been awarded public contracts (in various forms of auction or negotiation) of over 200 million euros. In May 2023, Lukoil **was removed** by the Romanian state from the centralized fuel purchase system (system used by state entities).

Strabag has several companies in Romania, controlled through various legal entities of the group, including the main one, Strabag SE. Thus, using the same search mechanism in the database of a commercial information service regarding companies registered in Romania, we identified 12 companies that have a shareholder at least one company from the Strabag group. Of these, four had zero turnover in 2022. The remaining eight together had a turnover of around 360 million euros, with a profit of around 29 million euros and 2044 employees. The first three companies by turnover are: Strabag SRL (185 million euros), Antrepriza de Reparații și Lucrări A R L Cluj SA (81 million euros), Societatea Companiilor Hoteliere Grand SRL (31 million euros). The latter is the company that owns the Marriott hotel in Bucharest, a landmark of the city.

Strabag companies have won numerous public tenders for infrastructure construction. According to the public procurement website e-licitatie.ro, Strabag SRL alone appears with public contracts awarded (in various forms of auction or negotiation) totaling over 1 billion euros to date.

In 2022 Strabag SRL was **awarded** a contract to modernize the military base at Mihail Kogălniceanu, where there is a large American military presence. Strabag won the bid as part of a consortium made up of three companies. The contract has a total value of approximately 430 million euros

At the request of a Romanian **business publication**, the Ministry of Defense (MoD) said in a March 2022 response, regarding Deripaska's status as a Strabag shareholder, that "STRABAG SRL Romania does not have any persons subject to sanctions within its shareholding". However, it is interesting to follow the chronology and content of the statements of the beneficial owner submitted by Strabag SRL to the Trade Registry, correlated with key data from the auction and with this MoD statement:

March 6, 2021 → the bid is **announced** on the the official e-licitatie.ro portal;

September 30, 2021 → the date on Strabag SRL's beneficial ownership statement (no. 567082), **from which Oleg Deripaska is eliminated**, Hans Peter Haselsteiner and Klemens Haselsteiner remain;

October 6, 2021 → the date on Strabag SRL's beneficial ownership statement (no. 628022), **in which Oleg Deripaska is added**, alongside Hans Peter Haselsteiner and Klemens Haselsteiner;

April 29, 2022 → the date on the public contract for the first phase (in the amount of approximately 288 million euros);

May 16, 2022 → statement no. 567082 is registered in the Register of Beneficial Owners;

June 3, 2022 → the date on Strabag SRL's beneficial ownership statement (no. 406259, in force, submitted on 20.04.2022), **from which Oleg Deripaska is eliminated**, Hans Peter Haselsteiner and Klemens Haselsteiner remain;

June 10, 2022 → the result of the public tender is published on e-licitatie.ro;

August 19, 2022 → statement no. 628022 and 406259 are registered in the Register of Beneficial Owners;

In other words, from the point of view of the date on the beneficial owner statement, at the time of signing the contract for the first phase, Oleg Deripaska was the real beneficiary of Strabag SRL. Also, Deripaska was already under EU and US sanctions when the contract was signed.



Sanctions and ties to the war in Ukraine

The scale of the illegal and unprovoked invasion of Ukraine by the Russian Federation, as well as the size of Lukoil and the companies under Deripaska's leadership, make it unlikely that they are not at least indirectly connected to the war effort. The various sanctions imposed on these entities in several jurisdictions around the world are also based on this general logic.

Oleg Deripaska is sanctioned by the **United States of America** as of 2018, the most serious charges being his involvement in a Russian organized crime group, ordering the murder of a businessman and extortion. As of 2022, he has also been sanctioned in another ten different jurisdictions: **European Union** (starting with 08.04.2022), **Switzerland** (starting with 13.04.2022), **Australia** (starting with 18.03.2022), **Ukraine** (starting with 12.10.2022), **UK** (starting with 10.03.2022), **New Zealand** (starting with 05.04.2022), **Canada** (starting with 16.03.2022), **France** (starting with 2022), **Poland** (starting with 26.04.2022) and **Belgium** (starting with 14.09.2023). The reasons for which sanctions were imposed on him by the European states are his involvement in supporting the Russian economy, being the **owner** of the Arzamas car construction plant, which produces military vehicles used in the aggression against Ukraine. The French authorities **confiscated** a villa in Saint-Tropez in April 2022 belonging to the oligarch and he **lost** his Cypriot citizenship as a result of the sanctions. Deripaska initiated legal challenges against sanctions in the **United States** (where he lost) and in **Australia**.

According to an investigation by Russian journalists from Proekt, who are now in exile, Oleg Deripaska, through companies he controls, indirectly contributed to two of the biggest crimes committed by the Russian military in Ukraine to date. **The Bucha massacre (1400 dead, including 37 children**, according to the Kiev authorities) was made possible, in part, because of 9M117M1-3 type shells, produced by the Sverdlov factory with aluminum powder from Rusal Ural, a company controlled by Deripaska. The same plant, located in Deripaska's hometown, uses an automatic production line to fill FAB-500 bombs with explosives (which may contain aluminum powder). Two of these were used in the bombing of **the theater in Mariupol**, the main shelter of the city, (**at least 300 dead**).

According to the same Proekt investigation, Deripaska, through the company KRAMZ LLC, supplied aluminum products to at least 20 companies in the defense industry, such as Sukhoi, Tupolev, Aviastar, Kazan Helicopter Plant. Also, the company Military Industrial Complex LLC is allegedly owned by Deripaska and produces military vehicles such as Tiger, BTR-80 and BTR-82. In a reply to the investigation, Deripaska's representatives said that he withdrew from the shareholding of this company in 2019, but Proekt journalists believe that the two shareholders who appeared in the shareholding structure in 2019 could be nominal owners, meaning that they hold the respective shares on behalf of a third party.

Deripaska's attitude towards the war is rather unclear, at least in the public sphere. Immediately after the start of hostilities, on February 27, Deripaska **said** on his Telegram channel that "peace is very important! Negotiations must begin immediately." On March 3, 2022, he gave a new **statement** in favor of peace: "Delaying negotiations is madness." In June 2022 he issued a somewhat clearer statement, saying that "destroying Ukraine would be a colossal mistake" and that Russia had abandoned "everything it has achieved economically", a reference to the impact of sanctions. In December 2022, **Financial Times** cited anonymous sources saying that the Russian authorities' seizure of the Imeretinsky hotel in Sochi, owned by the oligarch, is said to be linked to his anti-war comments.

In August 2023, Russian investigative journalists from iStories **discovered** that a Rusal group company, owned by Deripaska, paid wages to conscripts going to fight in Ukraine. In September 2023 Reuters was **quoting** Deripaska saying that sanctions will not stop the war in Ukraine or bring about regime change in Russia. In the book **Putin's people**, written by Catherine Belton, an interview with Deripaska from 2007 is quoted, in which the oligarch told Mrs. Belton that "*I do not consider myself separate from the state. I have no interests other than those of the state.*"

Regarding Strabag's position vis-à-vis the war, in March 2022, the company issued a **statement** in which the executive board strongly condemned Russia's aggression against Ukraine and recognized Deripaska's participation in the shareholding structure, while specifying that executive decisions are made by the Board of Directors, independent of Rasperia, the company through which Deripaska owns 27.8% of the shares. On March 15, 2022, Strabag **announced** a first concrete step in the direction of distancing itself from Oleg Deripaska, by canceling the syndicate agreement between Strabag SE shareholders and the decision to stop paying dividends to Rasperia. In June 2023, at a **General Shareholder Meeting**, it was proposed to increase the company's capital by issuing shares, in order to dilute the percentage of shares held by Deripaska. As mentioned above, in an agreement with Raiffeisen Bank, Strabag seems to have reached a solution whereby the oligarch's shares will be bought by the Austrian bank, which is already a Strabag shareholder.

In 2017, an **excerpt** from an article published in DiePresse, an Austrian newspaper, appeared on the website of the Ministry of Foreign Affairs of Ukraine. In the article, the Ukrainian ambassador to Austria at the time, Olexander Scherba, criticized an interview given by Hans Peter Haselsteiner to the same publication, in which the latter disputed the effectiveness of the post-Crimea sanctions, saying that the wrong people are being targeted and that sanctions only serve American interests.

As for Lukoil, the **U.S.** have sanctioned Lukoil PJSC (Public Joint Stock Company) since 2014. In August 2022 a **warrant for seizure** was issued by US authorities for a Boeing 737-7EM aircraft (manufacturer serial number 34865), owned by Lukoil through several offshore companies. The aircraft is estimated at 45 million dollars. According to the warrant, the aircraft and its owners violated post-invasion sanctions, specifically by flying from Dubai, United Arab Emirates, to Moscow, which counts as re-export.

Lukoil is under sanctions in four other states: **Ukraine** (starting with 24.06.2021), **Canada** (starting with 28.10.2022), **Australia** (starting with 24.02.2023) and **New Zealand** (starting with 22.11.2022). Although many Russian oil and gas companies have been sanctioned by the European Union starting in 2022, Lukoil is not among them. One of the reasons is the apparent conviction of European officials that Lukoil is on the side of Ukraine and against the war, **according** to Martin Vladimirov, researcher at the Bulgarian Center for the Study of Democracy.

The business climate in the region deteriorated for Lukoil post-invasion. Despite permission from the European Union to import Russian gas until the end of 2024 (the only such exception in the European Union), Bulgaria's Parliament recently took a firm stand and announced that it will ban imports from March 1, 2024, according to the Bulgarian branch of **Radio Free Europe**. In addition, from January 1, 2024, the export of fuels made from Russian oil was prohibited. As a result of these steps, described by Lukoil as "**discriminatory laws**", the company will reevaluate its business strategy in Bulgaria, also considering the possibility of selling the business. In Romania and Moldova, there is public talk of Lukoil **looking for an exit**, the main potential buyers being Royal Dutch Shell, respectively the Kazakh group KazMunayGas (KMG).

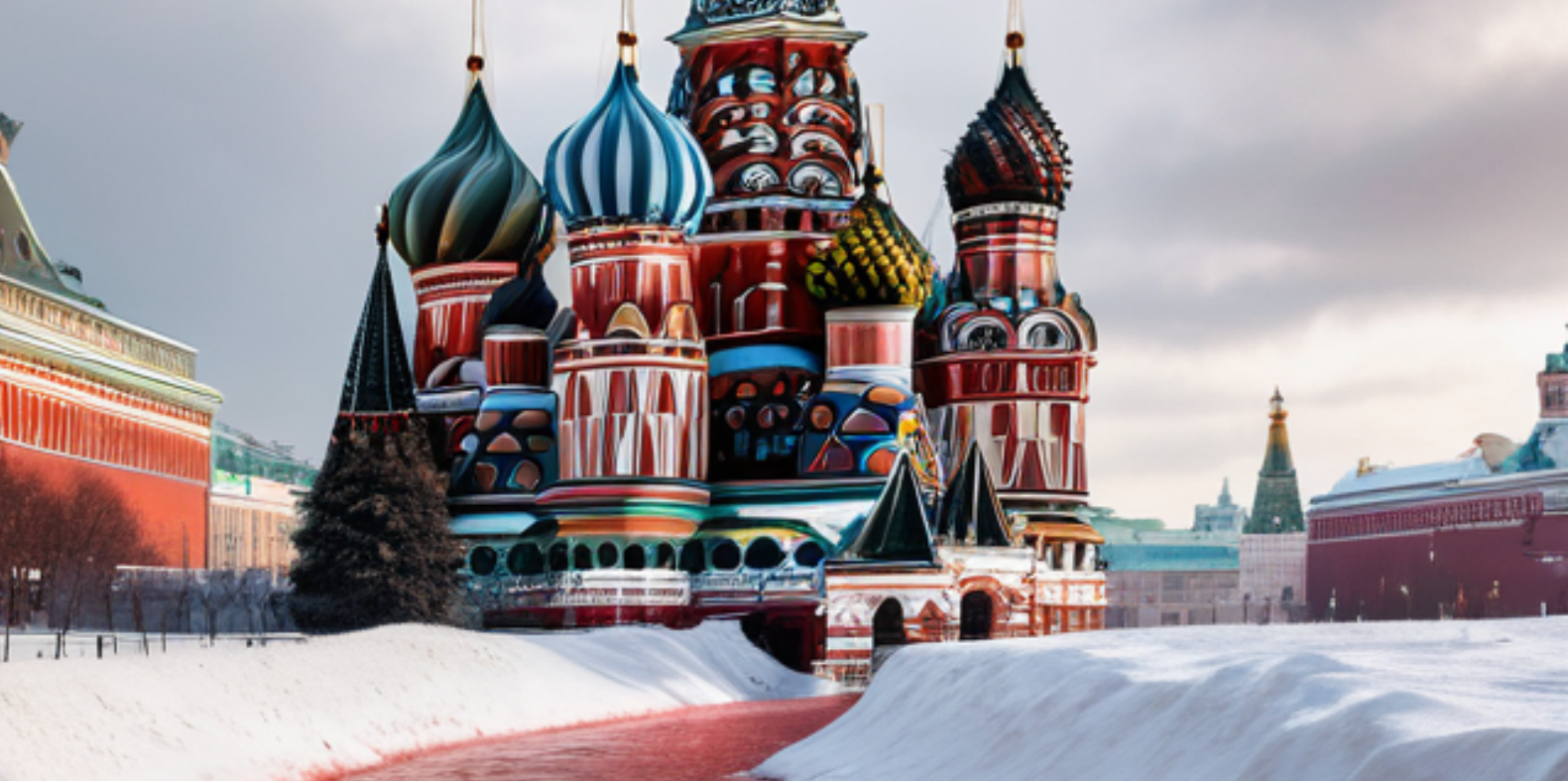
Regarding Vagit Alekperov, the main reasons for which he is sanctioned in five countries are his ties to the Kremlin, conducting illegal business in Crimea and "participating in the looting of Crimean assets of the Ukrainian state." He is sanctioned in the **UK** (starting with 13.04.2022), **Canada** (starting with 25.05.2022), **Australia** (starting with 06.04.2022), **Ukraine** (starting with 19.10.2022) and **New Zealand** (starting with 12.10.2022). Although he is a sanctioned individual, his **yachts** survived being confiscated and were located in Montenegro, Sevastopol and Vladivostok.

Alekperov resigned from Lukoil immediately after Great Britain imposed sanctions. In a **statement** issued by the company, it specified that Alekperov owned, in his name and through third parties, 8.55% of the company's shares as of March 31, 2022, the same percentage specified in the statements made by British authorities, **quoted** by The Guardian. This percentage is significantly lower than the one specified above, 30.2%, on January 25, 2022, according to a commercial information service for publicly listed companies, information collected from the **S&P Market Intelligence** database. Either between January 25 and March 31, 2022, Alekperov sold part of his shares, or the information from S&P Market Intelligence is incorrect.

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According to Russian investigative journalists from Proekt, Lukoil indirectly contributed to two of the biggest crimes committed by the Russian military in Ukraine. **The Kalibr missile attack on civilians in the city of Vinnytsia (23 dead, including 3 children,** according to Kiev authorities) was made possible, in part, because of the kerosene sold by Lukoil to the Innovative Design Bureau in Yekaterinburg and the Snegirev Research Technological Institute, the entities that produce the Kalibr missiles; **The bombing of the theater in Mariupol,** the main shelter of the city, **(at least 300 dead)** was also possible due to the kerosene sold by Lukoil to Sukhoi, the manufacturer of the planes that dropped the two bombs on the theater.

According to the same **investigation**, Lukoil sold fuel worth approximately 60 million euros, from 2014 to 2021, to various entities in the military-industrial complex such as the Ministry of Defense, the National Guard or the Black Sea fleet. In a **statement** issued on March 3, 2022, the Lukoil management team expressed its desire for the war to end as soon as possible, through "serious diplomacy and negotiations."



Lukoil and Strabag, in the context of sanctions and associated legislation in Romania

As we wrote in our **initial analysis** on the topic of Russian businesses in Romania and the sanctions regime, the Romanian authorities issued only **five orders** to freeze accounts and assets since February 2022. Romania has chosen not to unilaterally sanction any oligarch or company operating on national territory, opting for the application of sanctions that are mandatory from the point of view of international law, i.e. through EU and UN treaties to which Romania is signatory.

This state of affairs can be caused by the lack of necessary resources in order for relevant government agencies to have a clear picture of who ultimately controls a business operating on our national territory. The National Trade Register Office is responsible for verifying the information in the Register of Beneficial Owners, in order for said information to be correct and up to date, according to article 19, paragraph 7 of the **129/2019** law. Verifying the correctness of the identity of the beneficial owner can be a difficult process, especially when discussing complex corporate entities with multiple legal layers, but the state, by its very nature, should have the necessary legal and financial tools to access a wide range of sources of information in order to achieve this.

The National Office for the Prevention and Control of Money Laundering has published a **methodological guide** to identify the beneficial owner. This methodology should be put into practice by reporting entities (credit institutions, lawyers, auditors, etc.) in relation to their clientele. The first benchmark for these reporting entities is the very statement regarding the beneficial owner filed at the Trade Register, which may be false. If the Trade Register does not check that statement and the information is wrong or truncated (e.g. the company is controlled by a person under sanctions), then the state approves, by association, the false information. In the absence of a report from a reporting entity (or until such a report is produced), the legal person that filed the erroneous beneficial owner statement may operate illegally within the country.

The Romanian authorities chose not to take significant measures against the two companies, although it was evident that there were significant ties with the Russian economy and with the higher echelons of executive power in Moscow, especially in the case of Lukoil. Moreover, there is public information available (as shown in the investigation by Russian journalists from Proekt) that demonstrates Deripaska and Lukoil's indirect contribution to the war effort. These ties are even more relevant when we account for the number and value of public tenders that these companies have won in Romania.

Even though Romania is not in violation of European Union and UN treaties by not sanctioning Lukoil or Deripaska, or for that matter, for its general lack of action, it does send a signal that it can be fertile ground for sanctioned actors, who want to generate income that can be used for reprehensible purposes, such as the Russian war effort. Romania has become an increasingly attractive environment for Russian-controlled companies in recent years. As we stated in our **analysis** of the Russian business footprint in Romania, 57% of these companies were incorporated in the 2014-2023 period (compared to 43% in the 1990-2013 period). Almost 30% were incorporated as of 2020.

In the same analysis, we saw that the top ten companies by turnover, even when we exclude Lukoil, represent about 73% of the total turnover generated by all Russian-controlled firms in 2022. In other words, if the authorities, in the context of the war in Ukraine, would focus on analyzing the possibility of unilateral sanctions or the risk of sanctions evasion for a small number of Russian entities, the potential economic impact would be disproportionately large.

Finally, sanctions regimes, beneficial owners, corporate structures, are not abstract notions. They matter because they represent mechanisms by which economic resources are generated, transferred or blocked. These economic resources, in the context of war, can prolong or shorten the war by a day, a month, a year or more. In the context of war, economic resources mean lives lost or lives saved. According to a **report** from the United Nations, on November 15, 2023, the threshold of 10,000 (civilian) deaths was passed in Ukraine. That's an average of nearly 16 deaths per day since February 24, 2022. In the context of war, every day counts, which means that sanctions and their enforcement matter.

Disclaimer: This report has been prepared with support from IRI's Beacon Project. The opinions expressed are solely those of the author and do not reflect those of IRI.

