



**UNITED STATES DEPARTMENT OF COMMERCE**  
**Bureau of Industry and Security**  
**Office of Export Enforcement**  
1401 Constitution Avenue, Suite 4508  
Washington, DC 20230

8/31/2022

CHARGING LETTER  
VIA EXPRESS COURIER

PJSC LUKOIL  
1955 Chain Bridge Road  
McLean, VA 22102

and

11, Sretensky Blvd  
Moscow, Russia 101000

Dear PJSC LUKOIL,

The Bureau of Industry and Security, U.S. Department of Commerce (BIS), has reason to believe that PJSC LUKOIL, (“Lukoil”) has committed one violation of the Export Administration Regulations (the “EAR” or “Regulations”).<sup>1</sup> Specifically, BIS alleges the following violation:

**Charge 1      15 CFR. § 764.2(a) – Unlicensed Reexport of a Boeing 737-7EM Aircraft to Russia**

1. On or about March 12, 2022, Lukoil engaged in conduct prohibited by and contrary to the Regulations, by reexporting controlled items, specifically a U.S.-origin Boeing 737-7EM aircraft classified under Export Control Classification Number (“ECCN”) 9A991, to Russia without the required BIS license. Pursuant to Section 746.8 of the Regulations, a BIS reexport license was required before the aircraft could be reexported to Russia.
2. In so doing, Lukoil committed one violation of Section 764.2(a) of the Regulations, by engaging in any transaction or taking any other action prohibited by or contrary to, or refraining from engaging in any transaction or taking any other action required by ECRA,<sup>2</sup> the EAR, or any order, license or authorization issued thereunder.

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<sup>1</sup> The Regulations are currently codified in the Code of Federal Regulations at 15 C.F.R. Parts 730-774 (2021). Those regulations govern the violations at issue and set forth the procedures that apply to this matter.

<sup>2</sup> On August 13, 2018, the President signed into law the John S. McCain National Defense Authorization Act for Fiscal Year 2019, which includes the Export Control Reform Act of 2018, 50 U.S.C. §§ 4801 - 4852 (ECRA).



### **Background Of Violation**

As background<sup>3</sup> of the violation identified above and at times material to this charging letter:

#### **The Russia Sanctions Regime**

3. The U.S. Commerce Department, through BIS, responded to the Russian Federation's ("Russia's") further invasion of Ukraine by implementing a sweeping series of stringent export controls that severely restrict Russia's access to technologies and other items that it needs to sustain its aggressive military capabilities. These controls primarily target Russia's defense, aerospace, and maritime sectors and are intended to cut off Russia's access to vital technological inputs, atrophy key sectors of its industrial base, and undercut Russia's strategic ambitions to exert influence on the world stage.
4. As part of those controls, effective February 24, 2022, BIS imposed expansive controls on aviation-related (e.g., Commerce Control List Categories 7 and 9)<sup>4</sup> items to Russia, including a license requirement for the export, reexport or transfer (in-country) to Russia of any aircraft or aircraft parts specified in ECCN 9A991 (Section 746.8(a)(1) of the EAR).<sup>5</sup> BIS will review any export or reexport license applications for such items under a policy of denial. *See* EAR Section 746.8(b).
5. Effective March 2, 2022, BIS excluded any aircraft registered in, owned, or controlled by, or under charter or lease by Russia or a national of Russia from being eligible for export or reexport to Russia pursuant to license exception Aircraft, Vessels, and Spacecraft (AVS) (Section 740.15 of the EAR).<sup>6</sup> *See* 15 C.F.R. § 746.8(c)(5). As a result, any U.S.-origin aircraft or foreign aircraft that includes more than 25% controlled U.S.-origin content, and that is registered in, owned, or controlled by, or under charter or lease by Russia or a national of Russia, is subject to a license requirement before it can be exported or reexported to Russia.

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<sup>3</sup> This background section does not set forth every fact known or resulting from the investigation; rather, it provides certain additional information to further describe the nature of the above-listed violations.

<sup>4</sup> The Commerce Control List ("CCL") is found at 15 C.F.R. part 774, Supp. No. 1.

<sup>5</sup> 87 Fed. Reg. 12226 (Mar. 3, 2022). Effective February 24, 2022, BIS imposed a license requirement for all items controlled under Categories 3-9 of the CCL when destined for Russia, and also imposed these controls on Belarus in a rule effective on Mar. 2, 2022. (87 Fed. Reg. 13048, Mar. 8, 2022). Additionally, BIS published a final rule effective April 8, 2022, which imposed a license requirement on items controlled on the Commerce Control List ("CCL") under Categories 0-2 that are destined for Russia or Belarus. Accordingly, all CCL items now require export, reexport, and transfer (in-country) licenses if destined for or within Russia or Belarus. 87 Fed. Reg. 22130 (Apr. 14, 2022).

<sup>6</sup> 87 Fed. Reg. 13048 (Mar. 8, 2022).

**LUKOIL Relationship  
to the Aircraft and Flight at Issue**

6. At all times pertinent hereto, Lukoil, a Russian multinational energy company headquartered in Moscow, Russia, effectively owned, controlled, chartered or leased, through a series of shell companies, at least one U.S.-origin aircraft that is subject to the EAR and classified under ECCN 9A991: a Boeing 737-7EM aircraft, bearing tail number VP-CLR and manufacturer serial number 34865 (the “Boeing”).
7. The Boeing was manufactured in the United States in approximately 2006. On or about January 10, 2006, Luk-Avia, Inc., a Cayman Islands corporation, entered into a Trust Agreement (the “Trust Agreement”) as the Trustor to create a trust for the Boeing to be conveyed to Owner Trustee Wells Fargo Bank Northwest, N.A., a national banking association. On or about February 6, 2006, title of the Boeing was passed from The Boeing Company to Boeing Aircraft Holding Company for and in consideration of \$1.00 and other valuable considerations.
8. On February 9, 2006, title of the Boeing passed from the Boeing Aircraft Holding Company to Wells Fargo Bank Northwest, N.A., not in its individual capacity but solely as Owner Trustee under the Trust Agreement. The “Aircraft Basic Price” was \$44,500,000, as set forth in the purchase agreement between Luk-Avia and Boeing.
9. As of March 7, 2007, title of the Boeing had passed to AC Management Company Limited, a Cyriot company registered in the Cayman Islands as a foreign company. Lukoil is the ultimate parent company of AC Management Company Limited. At the time of the violation, Lukoil effectively owned, controlled, chartered and/or leased the Boeing through AC Management Company Limited.
10. The Boeing last traveled to the United States in March 2019. At that time, the Boeing flew from Shannon, Ireland to Houston, Texas. Certain Lukoil officials were on the aircraft. Between October 26, 2009 and March 16, 2019, a high-level Lukoil official (“Lukoil Official A”) flew into or out of the United States thirty times in the Boeing, often traveling on the plane with other senior Lukoil officials.
11. Flight records for the Boeing reflect that, after the license requirement under Section 746.8 of the Regulations went into effect on or about February 24, 2022, and the subsequent removal of eligibility under license exception AVS for the export or reexport of such aircraft to Russia went into effect on March 2, 2022, the Boeing was reexported to Russia on one occasion without the requisite BIS authorization.
12. Specifically, on or about March 12, 2022, the Boeing flew from Dubai, United Arab Emirates to Moscow, Russia. Lukoil Official A was a passenger on the March 12, 2022 flight into Russia.

13. No reexport license was sought or obtained from BIS prior to the reexport of the Boeing to Russia on or about March 12, 2022.
14. As set forth above, therefore, on or about March 12, 2022, Lukoil engaged in conduct prohibited by and contrary to the Regulations, by reexporting a controlled item, specifically a U.S.-origin Boeing 737-7EM aircraft, to Russia without the required BIS license.

\* \* \* \* \*

Accordingly, Lukoil is hereby notified that an administrative proceeding is instituted against it pursuant to Part 766 of the Regulations for the purpose of obtaining an order imposing administrative sanctions, including, but not limited to, any or all of the following:

- The maximum civil penalty of an amount not to exceed the greater of \$328,121 per violation or an amount that is twice the amount of the transaction that is the basis of the violation with respect to which the penalty is imposed;<sup>7</sup>
- Denial of export privileges;
- Exclusion from practice before BIS; and/or
- Any other liability, sanction, or penalty available under law.

If Lukoil fails to answer the charges contained in this letter within 30 days after being served with notice of issuance of this letter, that failure will be treated as a default. *See* 15 C.F.R. §§ 766.6 and 766.7. If Lukoil defaults, the Administrative Law Judge may find the charges alleged in this letter are true without a hearing or further notice to Lukoil. The Under Secretary of Commerce for Industry and Security may then impose up to the maximum penalty for the charges in this letter.

Lukoil is further notified that it is entitled to an agency hearing on the record if it files a written demand for one with any answer. *See* 15 C.F.R. § 766.6. Lukoil is also entitled to be represented by counsel or other authorized representative who has power of attorney to represent it. *See* 15 C.F.R. §§ 766.3(a) and 766.4.

The Regulations provide for settlement without a hearing. *See* 15 C.F.R. § 766.18. Should Lukoil have a proposal to settle this case, it should transmit it to the attorneys representing BIS named below.

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<sup>7</sup> *See* 50 U.S.C. § 4819 (prescribing civil monetary penalty amount for ECRA violation); 15 C.F.R. §§ 6.3(c)(4), 6.4 (adjusting civil monetary penalty amount for inflation).

The U.S. Coast Guard is providing administrative law judge services in connection with the matters set forth in this letter. Accordingly, Lukoil's answer must be filed in accordance with the instructions in Section 766.5(a) of the Regulations with:

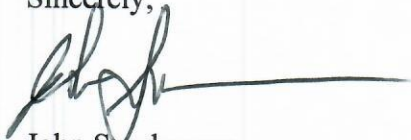
U.S. Coast Guard ALJ Docketing Center  
40 S. Gay Street  
Baltimore, Maryland 21202-4022

In addition, a copy of Lukoil's answer must be served on BIS at the following address:

Chief Counsel for Industry and Security  
Attention: Gregory Michelsen and Andrea Duvall  
Room H-3839  
14th Street and Constitution Avenue, N.W.  
Washington, D.C. 20230

Gregory Michelsen and Andrea Duvall are the attorneys representing BIS in this case; any communications that Lukoil may wish to have concerning this matter should occur through them. Mr. Michelsen may be contacted by email at [gmicelsen@doc.gov](mailto:gmicelsen@doc.gov). Ms. Duvall may be contacted by email at [aduvall@doc.gov](mailto:aduvall@doc.gov).

Sincerely,

A handwritten signature in black ink, appearing to read 'John Sonderman', with a long horizontal line extending to the right.

John Sonderman  
Director  
Office of Export Enforcement