

Australian Sanctions Office

SANCTIONS RISK IN THE EXPORT OF DRONES AND DRONES COMPONENTS TO RUSSIA

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This **ADVISORY NOTE** is produced by the Australian Sanctions Office (ASO) and the Australian Border Force (ABF) to inform the regulated community of a developing issue presenting significant sanctions risk. It provides a summary of relevant sanctions laws but does not cover all possible sanctions risks. Users should consider all applicable sanctions measures and seek independent legal advice. This document should not be used as a substitute for legal advice. Users are responsible for ensuring compliance with Australian sanctions laws.

Sanctions Risk

On 24 February 2025, the Minister for Foreign Affairs amended certain instruments under the *Autonomous Sanctions Regulations 2011* (Cth) designating commercial drones and drone components (AHECC Chapters 8806 and 8807) as 'export sanctioned goods' for Russia and regions of Ukraine under temporary Russian control of Ukraine (Donetsk, Luhansk, Crimea, Sevastopol). This measure was taken to ensure that Australians and Australian businesses do not materially support Russia's illegal and immoral invasion of Ukraine.

As a result of this measure, it is now a criminal offence to supply, sell or transfer drones and drone components (whether military, dual use, or commercial) to another person, directly or indirectly resulting in drones or drone components being transferred to, for use in, or for the benefit of Russia or specified regions of Ukraine.

Russia has escalated drone usage drastically in their war against Ukraine. It is vital that Australian companies involved in the manufacture or sale of drones and drone components take appropriate steps to prevent the direct or indirect provision of these goods to Russia.

Export of Drones and Drone Components

Disguising the export of drones and drone components is an internationally recognised tactic to evade sanctions. The following tactics have been identified:

Use of third countries and transhipment hubs: Russia continues to purchase sensitive goods and Western-made components from entities in third countries, often through commercial arrangements. To mitigate this risk, the ASO recommends Australian exporters take steps to identify the ultimate end user of goods, request end user certificates, and include 'no Russia' clauses into sales contracts.

Use of intermediaries: Similar to the use of third countries, international suppliers or intermediaries may be used to facilitate drone sales to countries such as Russia and Iran.

Export as spare parts of components or modular assembly: Entities may try to circumvent drone sanctions by purchasing individual drone components and combining parts through modular assembly. Drone components may be described in generic terms including 'electronics,' 'radio modules,' 'camera gimbals,' and 'flight controllers.'

Falsified documentation or fake end user certificates: Inconsistent or unusual documents connected to the sale of a drone may be an indicator that the end user is attempting to obfuscate the true buyer of the goods.

Hand carried or courier shipments: If the buyer is insisting on goods being transferred through hand carried or courier shipments, this could be an indicator of attempts to avoid export controls.

Identification of Australian Harmonized Export Commodity Classification (AHECC) for drones and drone components: Financial institutions are strongly encouraged to conduct enhanced due diligence when encountering AHECC codes 8806 and 8807 to identify possible third-party intermediaries and attempts to evade export controls. AHECC codes can be found on commercial documents including invoices, packing slips, Bills of Lading, Air Waybills, Sea Waybills, or other supporting trade documentation.

Further information and resources

While this advisory note provides a framework for understanding key sanctions risks and compliance requirements, it is essential to remember that it does not cover every possible scenario. Sanctions compliance is an ongoing obligation rather than a one-time assessment. Sanctions measures and associated risks are constantly evolving, requiring regulated entities to continuously monitor and reassess their compliance strategies. Australian regulated entities are encouraged to seek independent legal advice tailored to their specific situations and ensure thorough due diligence in all activities.

We recommend users also refer to the following resources to assist in their evaluation of sanctions risks:

- Sanctions Compliance Toolkit
- Sanctions Risk Assessment Tool
- Guidance Note: Export Sanctioned Goods Russia and Specified Regions of Ukraine
- Advisory Note: Australian export sector, Russian evasion method
- Russia Sanctions Framework

Further information is available on the <u>Department's website</u>, or by making an enquiry to sanctions@dfat.gov.au.