Russian court refuses award-debtor's application to recognise and enforce an LCIA award (Commercial Court of the Kaliningrad Region)

by *Practical Law Arbitration*, with *Kulkov, Kolotilov & Pokryshkin*

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In *Case No A21 4252/2026*, the Commercial Court of the Kaliningrad Region refused to recognise and enforce an LCIA award. Unusually, it was the award-debtor that applied for recognition and enforcement, arguing that it needed the decision to seek a Russian permit to pay sums owed under the award.

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The Commercial Court of the Kaliningrad Region has refused to grant an application to recognise and enforce an LCIA award.

In the award, the LCIA tribunal had obliged a Russian company (Rusal) to pay the debt owed under a guarantee to a German company, former VTB Europe subsidiary (OWH). OWH initiated enforcement of the award in several foreign states but did not apply to the Russian courts. Unusually however, Rusal, as award-debtor, did apply to a Russian court for recognition and enforcement. Rusal argued that it could not pay the sum owed without the relevant Russian bodies' special permit allowing payment to an entity from an "unfriendly" country and that Russian bodies cannot provide that permit without a Russian court decision on recognition and enforcement.

The Commercial Court of the Kaliningrad Region refused Rusal's application and confirmed that:

- Rusal, as an award-debtor, can apply for recognition and enforcement of the award.
- OWH is under the control of German state bodies, so enforcing the award would support sanctions against Russia.
- A dispute between a Russian party and a party from an "unfriendly" country could not be considered fairly and impartially resolved in an "unfriendly" state, therefore the rights of the parties in the LCIA arbitration were unequal.

Therefore, the award violated Russian public policy.

It is unclear why Rusal, as an award-debtor, applied for the enforcement of the award. One possible explanation is that it aimed to obtain a Russian court decision establishing the unlawfulness of paying under the guarantee to OWH to assist in the future resistance of the award's enforcement in other jurisdictions commenced under OWH's applications.

The reasons for the decision are also unclear, considering that Rusal actively participated in the arbitration, did not challenge the tribunal's jurisdiction or the award, and is seeking enforcement of the award in Russia itself.

Case: No A21 4252/2026 (Commercial Court of the Kaliningrad Region) (28 May 2026).

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