

# Sanctions Alert: Shipping and Commodity Companies Beware – Possible Evasion of Russian Oil Price Cap

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The US Department of the Treasury’s Office of Foreign Assets Control (OFAC) recently published the following alert, “[Possible Evasion of the Russian Oil Price Cap](#)” (the Alert), about possible evasion of the Russian oil price cap involving oil exported through the Eastern Siberia Pacific Ocean (ESPO) pipeline and ports on the eastern coast of the Russian Federation. The OFAC alert is extremely noteworthy in that it singles out shipping interests, protection and indemnity clubs (P&I Clubs) and commodity traders.

Under the current OFAC Price Cap [Guidance](#), US persons are allowed to provide certain services (“covered services”) related to the marine transportation of Russian oil, so long as the oil was purchased at or below the relevant price cap. US persons providing covered services are required to reject participating in transactions that evade the price cap and to report evasive transactions to OFAC.

OFAC indicates that there are reportedly attempts to evade the price cap by:

- Vessels manipulating their Automatic Identification System (“AIS”) to disguise calls at Russian Pacific ports. This so-called “spoofing” is also reportedly used to disguise ship-to-ship transfers of Russian oil.
- Artificial increases in the costs of freight, customs fees and insurance, to disguise that Russian oil was purchased over the price cap.

The Alert advises US persons to be aware of the specified avoidance strategies and to counter such practices with appropriate due diligence measures. Failure to do so, the Alert suggests, could deny the protection afforded by the so-called safe harbor provision of the price cap policy.

For ship owners, protection and indemnity clubs and flagging registries, OFAC recommends disseminating the Alert to counterparties and members, and exercising increased due diligence such as using marine intelligence services to detect AIS manipulation.

For commodities brokers/oil traders, while freight customs and insurance costs are not included in the price cap, OFAC cautions that these costs should be invoiced separately from the oil at commercially reasonable rate.

For those stakeholders defined as Tier 1 actors in the Price Cap Guidance that have direct access to price information, proper documents evidencing that Russian oil was purchased at or below the price cap must be retained and can be afforded “Safe Harbor” protection. Absent supporting documentation, the broker or trader could be subject to an OFAC enforcement action.

## How We Can Help

We have a dedicated team of commodities, shipping and sanctions experts with a track record of successfully advising clients of the legal and commercial issues arising out of such events. For further queries, please get in touch with your Squire Patton Boggs contact or any other persons listed.



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