

Russia Oil Price Cap

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On September 2, 2022 the G7 Finance Ministers announced a comprehensive ban on services that enable maritime transportation of Russian-origin crude oil and petroleum products globally. Effective December 5, 2022, services associated with the maritime transportation of Russian crude oil will only be allowed if the oil is purchased at or below a price (“the price cap”) to be determined by a broad coalition of countries. Similar prohibitions take effect on February 5, 2023, with respect to maritime transportation of petroleum products.

The US Department of the Treasury’s Office of Foreign Assets Control (OFAC) issued preliminary guidance on the implementation of the price cap on September 9, 2022. Key takeaways from this guidance provide a roadmap to compliance with the price cap:

- *Compliance practices:* Importers, refiners, and other service providers for seaborne Russian oil will not face a sanctions enforcement action if they obtain documentation or attestations that the purchase price of the oil is at or below the price cap.
- *Recordkeeping and attestation:* The price cap’s recordkeeping and attestation process creates a “safe harbor” for service providers from liability in cases where service providers inadvertently deal in the purchase of seaborne Russian oil above the price cap due to falsified records provided by those who act in bad faith and make material misrepresentations. Records should be kept for five years.
- *Enforcement:* Persons that make significant purchases of oil above the price cap and knowingly provide false information, documentation, or attestations to a service provider seeking to comply with the price cap may be a target for a sanctions enforcement action.
- *Red flags:* Red flags of price cap evasion include: (i) deceptive shipping practices, (ii) refusal to provide price information, (iii) unusually favorable payment terms, inflated costs, or opaque payment mechanisms, (iv) manipulated shipping documentation, (v) newly formed companies or intermediaries, and (vi) abnormal shipping routes.

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