

# Locke Lord QuickStudy: G7 Coordinated Effort to Implement a Price Cap on Russian Oil and Petroleum Products: September 27, 2022

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## WRITTEN BY

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### Russian Oil Price Cap

The G7 has agreed to a U.S.-led coalition to impose a price cap on Russian oil exports to stem Russian profits from sales of oil to fuel its war efforts against Ukraine. On September 2, 2022, the G7 Finance Ministers issued a statement confirming their joint intention to implement a price cap on Russian-origin crude oil and petroleum products. The statement indicates that the G7 countries (Canada, France, Germany, Italy, Japan, the United Kingdom, the United States and the European Union) and certain other allied nations plan to prohibit services and maritime transportation of Russian oil and products unless the sale price is at or below a price level determined by the coalition of countries adhering to and implementing the price cap. Press reports indicate that this coalition was spurred by Russian President Putin's threats to use nuclear weapons and to mobilize reserve military assets.

Based on statements from U.S. Secretary of the Treasury, Janet L. Yellen, the U.S. Department of the Treasury's Office of Foreign Assets Control ("OFAC") anticipates publishing preliminary guidance on the implementation of the price cap in September. The preliminary guidance will provide a high-level overview of this mechanism, including how U.S. persons can comply, in advance of formal guidance and legal implementation to be issued at a later date.

On September 9, 2022, OFAC issued [preliminary guidance](#) that provides a high-level overview of U.S. policy related to maritime services and transportation of Russian Federation origin crude oil and petroleum products, including importing, trade finance, brokering, insurance, and similar services. This ban of services on product above a price cap is expected to take effect on December 5, 2022, for maritime transportation of crude oil and on February 5, 2023, for maritime transportation of petroleum products.

To implement this policy, OFAC anticipates issuing a determination pursuant to [Executive Order 14071](#) ("Prohibiting New Investment In and Certain Services To the Russian Federation in Response to Continued Russian Federation Aggression"), which will (i) permit the exportation, reexportation, sale, or supply directly or indirectly, from the United States, or by a United States person, wherever located, of services related to the maritime transportation of seaborne Russian oil, if the seaborne Russian oil is purchased at or below the price cap and (ii) prohibit such services if the seaborne Russian oil is above the price cap. OFAC expects to release additional guidance on how the level of the price cap will be published and updated.

OFAC guidance suggests service providers should exercise detailed due diligence to mitigate any sanctions risk or price cap violations, as well as to keep accurate records and attestations to demonstrate compliance by each party in the supply chain. This recordkeeping and attestation process will create a “safe harbor” from liability for service providers in cases where service providers inadvertently deal in the purchase of seaborne Russian oil above the price cap due to falsified records provided by other in the chain. OFAC expects to provide guidance as to what documents and information services providers should require, retain and share as part of the recordkeeping and attestation process.

## **Conclusion**

This paper is intended as a guide only and is not a substitute for specific legal or tax advice. Please reach out to the authors for any specific questions. We expect to continue to monitor the topics addressed in this paper and provide future client updates when useful.

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