

Locke Lord QuickStudy: OFAC Sanctions Additional Maritime Companies & Vessels for Violating Russian Oil Price Cap & Issues Related General License

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On December 1, 2023, the U.S. Department of the Treasury's Office of Foreign Assets Control ("OFAC") issued General Licenses ("GL") 78 which authorizes limited safety and environmental transactions involving certain persons and vessels sanctioned under the Russian Harmful Foreign Activities Sanctions Regulations, 31 CFR Part 587 (the "RuHSR").

OFAC imposed sanctions against three entities (i) Sterling Shipping Incorporation, (ii) Streymoy Shipping Limited, and (iii) HS Atlantica Limited (collectively, "Blocked Persons") that violated the Russian Oil Cap. Two of the sanctioned entities are located in the UAE and one in Liberia. OFAC also identified and blocked the three vessels that used Price Cap Coalition services while transporting Russian crude oil at prices in excess of the Coalition-agreed price cap. These sanctions build upon previous actions taken by OFAC in October and November of this year (see our October 31, 2023 QuickStudy: Russian Oil Price Cap Advisory and Violation & Issuance of Russia-Related General License and November 20, 2023 QuickStudy: Oil Price Cap Violations & New OFAC GL for Crew Health and Safety and Safety of Blocked Vessels). These new sanctions underscore OFAC's ongoing commitment, in collaboration with its Coalition partners, to curtail Russia's oil revenues utilized to fund its war against Ukraine. The vessels subject to being blocked are identified as (i) NS Champion, (ii) Victor Bakaev, and (iii) HS Atlantica (collectively, "Blocked Vessels").

GL 78 authorizes, through February 29, 2024, transactions that are ordinarily incident and necessary to the following limited activities involving the Blocked Vessels: (1) ensuring the secure docking and anchoring of, or any part of the Blocked Vessels; (2) safeguarding the health or safety of the crew of any of the Blocked Vessels; or (3) conducting emergency repairs of any of the Blocked Vessels, or carrying out environmental mitigation or protection activities linked to any of the Blocked Vessels. However, any payments to the Blocked Vessels or Blocked Persons must be made into a blocked account.

We note that recent news articles report that the Russian fleet as well as many "shadow" vessels flagged in Cameroon, Greece and other jurisdictions have been evading Coalition oil cap rules by transferring Russian crude at sea to dodgy and unsafe vessels that mask the origin of the product and increase the price above the Coalition oil cap upon landing. Multiple news sources have reported that Russia's income from oil exports is greater now than before the invasion of Ukraine which shines a light at Moscow's success to evade the Coalition oil price cap to fund its war chest. One news report claims that Russia is tacking on approximately US\$11 billion per year

above the oil price cap of \$60 per barrel through sales of crude on the black market.

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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