

Locke Lord QuickStudy: Oil Price Cap Violations & New OFAC ?GL for Crew Health and Safety and Safety of Blocked ?Vessels ?

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On November 16, 2023, the U.S. Department of the Treasury's Office of Foreign Asset Control ("OFAC") sanctioned three UAE-based entities and blocked three vessels that engaged Price Cap Coalition service providers to transport Russian crude oil above the Coalition-agreed price cap. These measures mirror recent OFAC actions taken in October that sanctioned two entities and two vessels involved in transporting Russian oil above the price cap (see our October 31, 2023 QuickStudy: Russian Oil Price Cap Advisory and Violation & Issuance of Russia-Related General License). The sanctioned entities and vessels are: (i) Kazan Shipping Incorporated, the registered owner of the vessel Kazan, (ii) Progress Shipping Company Limited, the registered owner of the Ligovsky Prospect, and (iii) Gallion Navigation Incorporated, the registered owner of the NS Century (collectively, "Blocked Persons"). OFAC found that all three vessels were involved in the transport of Russian crude oil priced above \$60 per barrel after oil price cap took effect. As a result, all property, and interests in property of the Blocked Persons and any entities that are own, directly or indirectly, 50% or more by the Blocked Persons (together with Blocked Persons, "GL 77 Persons") that are in the U.S. or in possession or control of U.S. persons are blocked (i.e., frozen) and must be reported to OFAC. These actions highlight OFAC's continued commitment to enforce the price cap policy against shipping companies and their vessels participating in the Russian oil trade while using Price Cap Coalition service providers.

On the same day, OFAC also issued General License ("GL") 77 authorizing 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"). GL 77 authorizes, through May 16, 2024, transactions that are ordinarily incident and necessary to the following limited activities involving GL 77 Persons: (1) ensuring the secure docking and anchoring of, or any part of Kazan, Ligovsky Prospect, and NS Century ("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 GL 77 Persons must be made into a blocked account.

Despite the price cap policy being in effect for approximately a year with the goal of limiting Russia's oil revenues, the combination of strong global oil prices throughout the year and Russia's increasing reliance on a fleet of shadow tankers, deployed aged oil tankers used to circumvent sanctions, has resulted in a significant portion of Russian oil trading above the established price cap. In response to this trend, OFAC is intensifying its actions, increasingly targeting shipping companies for their involvement in these evasion activities. Shipping companies

and vessels involved in the Russian oil trade, utilizing services from Price Cap Coalition providers, must be aware that OFAC will enforce accountability for compliance.

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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