

## REFUELED: PRICE CAP COALITION ISSUES NEW ADVISORY FOCUSED ON SANCTIONS EVASION

After a period of quiet, the Price Cap Coalition issued new guidance on October 21, 2024 with an [Advisory](#) "concerning specific best practices for private sector actors involved in the maritime trade of crude oil and refined petroleum products, as well as government stakeholders." The Advisory, in addition to adding four new recommendations, provides guidance on preventing sanctions evasion and steps for enhancing compliance with the price caps on crude oil and petroleum products of Russian Federation origin.

We have covered previous guidance from the Price Cap Coalition [here](#) and [here](#), which, by way of reminder is comprised of the G7, the European Union, Australia, and New Zealand.

The Advisory builds on concerns regarding the so-called "shadow trade," whereby illicit actors continue to seek new routes and methods to transport and sell crude oil while evading the sanctions and restrictions in place. The Advisory highlights for industry stakeholders some of those practices to help focus risk mitigation and compliance enhancements. Examples or indica of shadow trade practices or actors include, use of older ships, lack of regulatory certificates and falsified/fraudulent registration. In addition to the sanctions evasion risks, the Advisory notes that these practices create serious maritime safety and marine environmental risks, and that illicit actors engage in practices that could result in serious harm to crew members or marine life. There is of course the economic spillover effect of these practices and as the Advisory notes it is becoming increasingly more challenging to hold such vessels accountable where their actions create harm or environmental damages.

The risk remains that those seeking to evade the sanctions will conceal their ownership structure through complex corporate arrangements or other deceptive practices that put stakeholders at risk for engaging with unreliable counterparties.

Finally, the Advisory notes that "a coalition of over thirty countries has adopted a variety of economic measures in response to Russia's war against Ukraine, including the oil price cap policy implemented by the Price Cap Coalition. Some actors may use deceptive practices to access Price Cap Coalition services to

transport Russian oil or petroleum products sold above the price cap, or to engage in activity that may otherwise violate the Coalition's sanctions, laws, or regulations."

The Advisory provides a list of eleven recommendations that it recommends that stakeholders adopt on a risk basis:

- Recommendation 1: Require appropriately capitalized P&I insurance.

Ensuring that vessels have continuous, appropriate and legitimately issues insurance reduces the risk that stakeholders are interacting with vessels operating in the shadow trade.

- Recommendation 2: Receive classification from an International Association of Classification Societies 13 (IACS) member society.

The classification information provides additional assurance regarding the seaworthiness of the vessel from an external source to not rely only on counterparty representation.

- Recommendation 3: Best-practice use of Automatic Identification Systems ("AIS"). Consistent with the International Convention for the Safety of Life at Sea ("SOLAS"),

As highlighted in prior guidance, often vessels operating in the shadow trade will disable their AIS to avoid detection or tracking. While there may be legitimate reasons to do so, requiring such continued AIS use provides oversight to industry stakeholders.

- Recommendation 4: Monitor high-risk ship-to-ship transfers.

Diversion continues to be a real risk and for that reason, the Advisory recommends that all ship-to-ship (STS) activities are consistent with the MARPOL convention rules and regulations and any national regulations, as referenced in the IMO's December 2023 Resolution on STS activities and the shadow fleet, including requesting and verifying that oil record logs hold an accountable record of cargo movements aboard vessels.

- Recommendation 5: Request associated shipping and ancillary costs.

The inflation of shipping and ancillary costs (e.g., freight, customs, insurance), or the bundling of such costs, are tactics that may be used to conceal that Russian oil was purchased above the price cap. The billing of commercially unreasonable or opaque shipping and ancillary costs should be viewed as a sign of potential price cap evasion.

- Recommendation 6: Undertake appropriate due diligence.

The Advisory notes that due diligence should be calibrated according to the nature of the stakeholders' business and the risks associated, including for example, when dealing with intermediary companies (e.g., management companies, traders, brokerages).

- Recommendation 7: Report ships that trigger concerns.

The Advisory reiterates the prior "see something, say something" guidance to stakeholders so that industry stakeholders can collectively help protect the trade from malign activity, while promoting safety and integrity across the market.

- Recommendation 8: Ensure vessels meet international maritime safety and environmental obligations.

Directed at Flag States, the Advisory emphasizes the "critical role" they play in "promoting safety and upholding agreed-upon standards across the maritime oil trade."

- Recommendation 9: Monitor tanker sales.

Those involved in the sale and brokering of tankers should remain vigilant for potential evasive or illicit purchase structures and end uses, especially for aging tankers and tankers previously designated for recycling to help ensure that the tankers do not end up in the hands of illicit or shadow trade actors.

- Recommendation 10: Avoid interactions with sanctioned parties.

A reminder to stakeholders that the Price Cap Coalition members have and continue to update sanctions directed at those operating in this space. Industry stakeholders must remain current on sanctions developments and are reminded that "owners and operators of sanctioned vessels may attempt to engage in deceptive practices to obfuscate their status, such as renaming, reflagging, obscuring their IMO number, or falsifying documents, increasing sanctions risk for non-sanctioned counterparties."

- Recommendation 11: Raise the level of awareness and enhance market transparency.

Given the developments in this space, the Advisory recommends that industry stakeholders deploy targeted training programs for their employees highlighting the risks of shadow fleet activities and deceptive practices.

The Advisory is an important reminder to industry stakeholders to remain vigilant in identifying and managing risks that those illicit actors, including those operating in the shadow trade, seek to exploit.

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