

# OFAC ALERT



## Possible Evasion of the Russian Oil Price Cap

The Office of Foreign Assets Control (OFAC) is issuing this alert to warn U.S. persons about possible evasion of the price cap on crude oil of Russian Federation origin (Russian oil), particularly involving oil exported through the Eastern Siberia Pacific Ocean (ESPO) pipeline and ports on the eastern coast of the Russian Federation.

As explained in greater detail in [OFAC Guidance on Implementation of the Price Cap Policy for Crude Oil and Petroleum Products of Russian Federation Origin](#) (Price Cap Guidance), U.S. persons are authorized to provide certain services (covered services) related to the maritime transport of Russian oil as long as that oil was purchased at or below the relevant price cap. To implement the price cap policy, OFAC issued two determinations pursuant to Executive Order 14071, one for [Russian oil](#) and one for [petroleum products](#) (the crude determination and the petroleum products determination, or, collectively, the price cap determinations). **U.S. persons providing covered services are required to reject participating in an evasive transaction or a transaction that violates the price cap determinations, and to report such a transaction to OFAC.**

### For ship owners, protection and indemnity clubs, and flagging registries

**Deceptive Practices, Including AIS Manipulation to Disguise Russian Port Calls:** OFAC is aware of reports that ESPO and other crudes exported via Pacific ports in the Russian Federation, such as Kozmino, may be trading above the price cap and may be using covered services provided by U.S. persons. These U.S. service providers may be unaware that they are providing covered services involving Russian oil purchased above the price cap, as the non-U.S. persons involved in the exports may have provided incomplete or false documentation or used other deceptive practices.

Specifically, some tankers may be manipulating their Automatic Identification Systems (AIS), a practice known as “spoofing,” to disguise the fact that they have called at the port of Kozmino or other ports on the Russian Federation’s eastern coastline. For example, basic vessel tracking data may show the tanker at one location, but more sophisticated reporting from maritime intelligence services may show that the vessel called at the port of Kozmino or another eastern port in the Russian Federation. Spoofing can also be used to mask ship-to-ship transfers carried out to disguise the origin of Russian oil. **U.S. persons providing covered services to tankers should view AIS manipulation that disguises a tanker’s port of call in the Russian Federation as evidence of possible evasion of the price cap.**

**Recommended Measures to Ensure Price Cap Compliance:** Good-faith actors, including shipowners and other service providers, can use the recordkeeping and attestations described in the Price Cap Guidance to be afforded safe harbor from OFAC enforcement if someone causes them to inadvertently violate the price cap determinations. **At the same time, U.S. service providers, especially ship owners, protection and indemnity clubs, and flagging registries, should be mindful of the risk of evasion for some ESPO and other crudes exported via Pacific ports in the Russian Federation and should take appropriate due diligence measures, such as:**

- Disseminating this alert to counterparties or members.
- Using maritime intelligence services to improve detection of AIS manipulation.

## **For commodities brokers/oil traders**

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**Opaque Shipping Costs:** As noted in the Price Cap Guidance, shipping, freight, customs, and insurance costs are not included in the price caps. The failure to itemize these costs can be used to obfuscate the fact that Russian oil was purchased above the price cap.

**Recommended Measures to Ensure Price Cap Compliance:** In order for Tier 1 actors (defined in the Price Cap Guidance as actors who regularly have direct access to price information, such as commodities traders) to be afforded the safe harbor explained in the Price Cap Guidance, they must retain documents showing that Russian oil or Russian petroleum products were purchased at or below the relevant price cap. Examples of these documents include invoices, contracts, and receipts/proof of payment. OFAC notes that such documents do not need to make any mention of the price cap in order for the Tier 1 actor to be afforded the safe harbor. **However, shipping, freight, customs, and insurance costs must be invoiced separately from the purchase price of the Russian oil and must be at commercially reasonable rates.** A refusal by a counterparty to provide documentation showing Russian oil or Russian petroleum products were purchased at or below the price cap (when, for example, the total price inclusive of other costs is above the cap) should be considered a red flag for possible evasion of the price cap.



### **OFAC Compliance Hotline**

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