



MARITIME ACTIVITIES CONSULTANTS S.A.

***"CONNECTING YOUR BUSINESS
TO THE MARITIME RESOURCES YOU NEED"***

Subject: "The Price Cap on Russian Oil – Maritime Relevance"

Summary: The current Newsletter reports on the most recent announcement that the EU, G7 and Australia (the "Price Cap Coalition") has recently introduced legislation and guidance effective 5th December 2022 intended to maintain the supply of Russian oil to world markets whilst at the same time reducing Russia's earnings from its oil exports (the "Price Cap Scheme") and highlights the maritime relevance of the concrete scheme.

The Price Cap Coalition

1. An international coalition, including the G7, the European Union, and Australia, have agreed to prohibit the import of crude oil and petroleum products of Russian Federation origin (the "Price Cap Coalition"). These countries, home to many best-in-class financial and professional services, have also agreed to implement a policy with regard to a broad range of services as they relate to the maritime transport of crude oil and petroleum products of Russian Federation origin ("Price Cap Policy").

The Price Cap Scheme

2. Under the Price Cap scheme those persons that are subject to the jurisdiction of the EU, G7 and other coalition partners such as Australia will be prohibited from transporting and / or providing services (including P&I insurance) that enable the transportation of Russian origin crude oil and oil/petroleum products unless it has been sold at or below the Price Cap (the "Price Cap Scheme"). The prohibition on services provided by a service provider based in an EU, G7 or other coalition partner jurisdiction extends to shipments by or to third countries that are not part of the EU / G7 coalition and to that extent will have extra territorial effect. On the 2 December 2022 the EU / G7 Coalition announced that the Price Cap for Russian Crude Oil after 5 December 2022 would be initially set at \$60 per barrel. After an initial price cap has been set, the price may be amended in the future to reflect technical changes and agreements of the Price Cap Coalition. A separate price cap will be introduced on 5 February 2023 for Russian petroleum products.
3. According to EU & US official statements the object of the Price Cap is threefold:
 - To maintain the supply of Russian oil to world markets;
 - To reduce the upward pressure on world oil prices; and
 - To reduce Russia's earnings from its export of crude oil and oil/petroleum products.

Price Cap Scheme Services

4. The Price Cap Scheme includes the following "covered services", as long as that Russian oil is purchased at or below a certain price (the "price cap"):
 - Trading/commodities brokering;
 - Financing;
 - Shipping;
 - Insurance, including reinsurance and protection and indemnity;
 - Flagging; and

- Customs brokering.

US Action: US Department of the Treasury on Price Cap

5. On 21 November 2022, the US Department of the Treasury issued a Determination pursuant to Executive Order 14071 that prohibits the following categories of services related to the maritime transport of Crude Oil of Russian Federation origin: (i) trading/commodities brokering; (ii) financing; (iii) shipping; (iv) insurance, including reinsurance and protection and indemnity; (v) flagging; and (vi) customs brokering. The prohibition on providing these services has taken effect on 5 December 2022. (for more info see: https://home.treasury.gov/system/files/126/20221205_Price_cap_determination.pdf).
6. Under the US Price Cap Scheme, it will be lawful for US persons to transport and provide services for the transportation of Russian origin Crude oil to countries outside the EU / G7 coalition provided that the price paid for the oil is at or less than the Price Cap from the point at which the Crude Oil is sold by a Russian entity for maritime transport until the first landed sale after passing customs clearance in a jurisdiction other than the Russian Federation.
7. Parties engaging in the Price Cap Scheme are also obliged to keep records of the transaction including written statements or evidence ("Attestations") obtained from those with whom they contract that the price paid for the cargo complies with the Price Cap. Such records must then be kept for a period of five years.

EU Action: Regulation 2022/2367 Giving Effect to the Price Cap

8. The EU's sixth sanctions package published on 4 June 2022 and contained in EU Regulation 833/2014 prohibited the provision of maritime services to ships carrying Russian origin Crude Oil to third countries after 5 December 2022 in respect of Crude Oil and 5 February 2023 in respect of Petroleum Products.
9. On 6 October 2022 the EU announced the eighth sanctions package which included exceptions for transportation and associated maritime services for cargoes sold at or below the Price Cap. On 3 December 2022 the EU Council published Regulation 2022/2367 giving effect to the Price Cap (<https://eurlex.europa.eu/eli/reg/2022/2367>).
10. The prohibition to transport Russian seaborne oil applies to all EU vessels, i.e., EU flagged vessels, and also vessels that are owned, chartered and/or operated by EU companies or nationals. This would also cover agents acting on their behalf. Accordingly, these same vessels are allowed to transport Russian seaborne oil provided it is carried at or below the price cap.
11. Parties are required to keep records of Price Cap transactions for a period of five years. Legislatures provide for a 45-day winddown period expiring on 19 January 2023 for vessels carrying Russian Crude Oil at the time Price Cap scheme commences.

Action for Involved Operators and Service Providers

12. The application of the price cap exemption relies on an attestation process that enables operators along the supply chain of seaborne Russian oil to demonstrate that it has been purchased at or below the price cap. Involved operators and service providers which trade, transport or provide relevant services for the shipment of this oil can do so by securing certain documentation or attestation from their counterparties proving the Russian oil was bought at or below the relevant price.
13. Whilst an Owner or Charterer may not break any law if it conducts appropriate due diligence, providers of maritime services and technical assistance such as insurers, reinsurers, Flag states and banks are obliged to withdraw their services in the event they have reasonable grounds to suspect that the Price Cap has not been complied with.

Service Offered by MAC S.A.

14. Owner and charterers under various open registries flags collaborating with MAC S.A. that intend to carry Russian Crude Oil or Petroleum Products in accordance with the Price Cap scheme are advised to contact MAC S.A. with any questions related to individual aspects and parameters of the concrete topic.



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