

G7 Asks Maritime Service Providers to Comply With Russian Tanker Sanctions



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After a series of news reports on Russian "shadow fleet" oil tanker transactions in the UK, the G7 Price Cap Coalition has issued new guidance on "enhancing due diligence" for tanker brokers and insurers. The guidance lays out well-known risk factors for a potential transaction with a sanctioned counterparty - the kind of transaction that often brings outside profit margins.

On October 11, the BBC reported that the UK government is investigating 37 businesses and entities for possible breaches of sanctions on Russian oil shipping. Some of these firms are in the insurance sector, according to BBC, and at least one shipbroker was named separately by the Financial Times.

Companies in the G7 nations are prohibited from assisting Russian oil shipping unless the price per cargo is less than \$60 per barrel. The measure was designed to ensure that Russian oil continued to flow to the global market, albeit at lower cost, keeping energy prices stable while suppressing Russia's revenue stream. Since Russian oil now sells for more than \$60 on the open market, the International Group has concluded that the cap is effectively unenforceable.

To evade the cap, an estimated 70 percent of Russian oil shipping has shifted to a "shadow fleet" of aging, questionably-insured tankers with obscure ownership. According to the FT, at least one British shipbroker has assisted - if unwittingly - in this fleet's creation by facilitating the sale of older Western tankers to Russian-aligned interests. (The firm named by the FT maintains that it is fully compliant with all legal requirements.)

To push back on the rise of the shadow fleet and to curb Western assistance to its growth, the Price Cap Coalition issued familiar recommendations to maritime stakeholders. In short, the coalition recommended working with tanker owners who have legitimate business practices. These include

real P&I insurance, with enough financial strength to cover oil pollution liability; real classification from an IACS member; consistent use of AIS; no signs of questionable STS transfers; and rational transaction costs that are not inflated to hide the true price of the oil cargo. Ships that trigger concerns should be reported to national authorities.

"Those involved in the sale and brokering of tankers should remain vigilant of potential evasive or illicit purchase structures and enduses, especially for aging tankers, including tankers previously designated for recycling," the coalition advised. "Stakeholders should be aware 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."

The coalition advised that maritime service companies should set up internal training programs to warn their employees about shadow fleet risk factors and compliance requirements.

Ahead of the coalition's new guidance, Panama [announced](#) that it would change its regulations to allow deflagging sanctioned vessels on an expedited basis. In the past, the legal process would take months to cancel a single vessel, and a lingering accumulation of sanctioned ships on the Panama registry had attracted attention from Washington.

The UK has spearheaded a separate drive to query the insurance status of suspicious tankers as they pass through territorial seas. The U.S. has endorsed this safety petition, along with several dozen European countries.