

CLIENT ALERT

8th Round of EU Sanctions Against Russia Affects a Variety of Actors in the Oil Shipping Industry and Providers of Related Services

October 13, 2022

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The 8th sanctions package that the EU adopted on October 6, 2022 introduces a framework for the prominently discussed price cap on Russian crude oil and petroleum products (Council Regulation EU 2022/1904 amending Regulation EU 833/2014). The aim of the sanctions is to curb Russian profits from oil sales that have increased as a result of rising prices on the world market despite the sanctioning of Russian oil. When the price cap is put into effect later this year, vessel owners, shipping companies, insurers and other service providers involved in the maritime transportation of Russian crude oil and petroleum products have the opportunity to continue providing their services, but should be well aware of the accompanying compliance obligations in a high-risk environment. Most players who have not yet done so will need to introduce new specific compliance mechanisms.

The ban on transactions with the state-owned entity Russian Maritime Shipping Register may trigger sanctions compliance provisions in insurance or other financial services contracts.

European industrial companies should take note of the expanded import restrictions on, inter alia, steel, plastic products or certain chemical products, such as cosmetics.

For a basic guide on EU sanctions against Russia and fundamental principles of international sanction regimes, please click [here](#).

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Laying the Foundation for a Price Cap on Russian Oil

The EU is going to great lengths to achieve independence from Russian energy supplies and has already introduced measures to phase out the importation of Russian crude oil and petroleum products. At the same time, Russia is still generating significant revenue from the sale of crude oil and petroleum products as a result of rising prices on the world market. Non-EU countries are already feeling the effect of the EU's ban on supporting services to maritime transportation of Russian crude oil and petroleum products (e.g., insurance services) that will enter into force in December.

As a result, the EU, together with the G7 countries, is in the process of fine-tuning its efforts to curb the global trade of Russian crude oil and petroleum products. The EU is set to impose an outright ban on any oil transporting to Non-EU countries and to introduce, at the same time, a mechanism that allows the transportation and provision of supporting services, provided that the crude oil and petroleum products were purchased at or below a certain price.

The Council of the EU (i.e., the representatives of the governments of the several EU member states) has yet to decide whether and at what level to set that price cap. Vessel owners, shipping companies, insurers and other service providers should monitor the situation closely and prepare to implement adequate compliance mechanisms to ensure that all parties involved adhere to the price cap. Primary enforcement of the price cap will be the responsibility of the party involved in the maritime transportation of Russian crude oil and petroleum products, including providers of ancillary services. The stakes are high: not only will non-compliance with the price cap trigger penalties, but any vessel transporting Russian crude oil or petroleum products will essentially be blacklisted. It is expected that the EU Commission will issue guidance specifying the practical aspects of the price cap.

The price cap will only affect the transportation of Russian crude oil and petroleum products to Non-EU countries. The import ban on Russian crude oil and petroleum products destined for the EU (with all of its temporary exemptions) remains unchanged.

Ban on Transactions with the Russian Maritime Shipping Register Could Have Ripple Effects

The state-owned company Russian Maritime Shipping Register was added to the list of Russian state-owned companies subject to a general ban on any kind of transactions. Few companies, apart from vessel operators, maintain a business relationship with the Russian Maritime Shipping Register, which acts as a certification body for vessels. Nevertheless, this listing may have an indirect impact on companies in other related industries, such as the insurance industry. Many cargo insurance policies contain provisions prohibiting the policyholder to have business relations with sanctioned companies or individuals. Consequently, cargo insurers might be able to assert rights triggered by these clauses against vessel-owners in the future, provided that the latter have their vessels certified by the Russian Maritime Shipping Register. It is worth noting that vessels from numerous countries - not only Russia - have been certified by the Russian Maritime Shipping Register.

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Further Restrictions on IT, Engineering and Legal Services

As a further measure to isolate the Russian economy from foreign know-how, it is prohibited to provide various consulting services to the Russian government and to individuals or legal entities established in Russia. Such prohibited services include, among others, engineering, IT consultancy and legal advisory services.

However, the scope of “engineering services” is fairly narrow as it excludes technical assistance services with respect to goods exported to Russia that are not subject to EU sanctions. In contrast, the prohibition on “IT consultancy services” is much broader, as all services related to the installation of hardware or networks and the implementation of software are covered. The prohibition on providing legal advisory services focuses primarily on legal advice in commercial and M&A matters outside of legal proceedings. Legal advice with respect to administrative proceedings or litigation, on the other hand, remains permitted. All services may be authorized by the competent authority of the respective member state based on exceptional circumstances.

Further Trade Restrictions

The 8th sanctions package also includes additional import and export bans on further categories of goods.

Most relevant for German and European companies will be the import ban on iron and steel products. As of September 30, 2023, the import of iron and steel products originating in Russia is prohibited. The import ban also covers iron and steel products from Non-EU countries if they incorporate Russian iron or steel. Associated services are likewise covered by the prohibition.

A large number of plastic and chemical products have been added to the list of goods affected by the import ban, including cosmetics. Additional new import bans include those on wood pulp, paper, cigarettes and certain components of jewelry. Companies procuring such products from Russia should therefore thoroughly review Annex XXI Part B for matches.

New export restrictions concern components that can be used in a military setting and paramilitary equipment such as civilian firearms. Most of these items were, however, already covered by other export restrictions.

Extension of Financial and Economic Sanctions Against Individuals

In response to the illegal annexations of Ukrainian territories, individuals involved in the so-called referenda were added to the list of persons subject to financial sanctions. Key figures from the Russian defense and propaganda sectors were added as well.

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EU nationals are prohibited from joining corporate bodies of those Russian companies that are subject to a transaction ban (i.e., a strict ban on conducting any direct or indirect transactions with said companies pursuant to Art. 5aa EU Council Regulation 833/2014). The list of such companies includes, inter alia, Rosneft and Gazprom Neft (the oil subsidiary of Gazprom).

Your Willkie Global Trade & Investment Team will be happy to provide you with further advice on these issues.

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