

# Treasury Tightens the Price Cap with New Sanctions and Updated Guidance



December 20, 2023

WASHINGTON — Today, the U.S. Department of the Treasury’s Office of Foreign Assets Control (OFAC) continued to tighten enforcement of the price cap on Russian oil by building on previous actions targeting shipowners and vessels implicated in transporting Russian crude oil above the cap. In line with actions previously taken by partners in the Price Cap Coalition, OFAC is designating a Government of Russia-owned ship manager as well as several obscure oil traders who have emerged as frequent participants in the seaborne transportation of Russian-origin oil following the imposition of the price cap.


OFAC has also, in coordination with the Price Cap Coalition, updated the Guidance on Implementation of the Price Cap Policy for Crude Oil and Petroleum Products of Russian Federation Origin. Today’s actions are in line with [commitments made by Leaders of the Group of Seven \(G7\) on December 6, 2023](#) to tighten compliance and enforcement of the price cap policy on Russian oil, including by imposing sanctions on those engaged in deceptive practices and by updating compliance rules and regulations as necessary.

“Today’s designations demonstrate our commitment to upholding the principles of the price cap policy, which advance the goals of supporting stable energy markets while reducing Russian revenues to fund its war against Ukraine,” said Deputy Secretary of the Treasury Wally Adeyemo. “Participants in the maritime transport of Russian oil, especially Tier 1 actors like traders, must adhere to the compliance guidelines agreed upon by the Price Cap Coalition or face the consequences.”

## THE PRICE CAP

The United States is part of an international coalition of countries (the Price Cap Coalition), including the G7, the European Union, and Australia, that have agreed to prohibit the import of crude oil and petroleum products of Russian Federation origin. These countries, home to many best-in-class financial and professional services, have also agreed to restrict a broad range of services related to the maritime transport of crude oil and petroleum products of

Russian Federation origin—unless that oil is bought and sold at or below the specific price caps established by the Coalition or is authorized by a license. This policy is known as the “price cap.” The price cap is intended to maintain a reliable supply of crude oil and petroleum products to the global market while reducing the revenues the Russian Federation earns from oil after its own war of choice against Ukraine inflated global energy prices.

Today, OFAC, [in coordination with the Coalition](#) , updated its [Guidance on Implementation of the Price Cap Policy for Crude Oil and Petroleum Products of Russian Federation Origin](#), implementing changes to strengthen the attestation and recordkeeping processes for certain covered service providers.

On October 12, 2023, the Price Cap Coalition published a [Coalition Advisory for the Maritime Oil Industry and Related Sectors](#) (“the Advisory”). The Advisory, which is directed at both government and private sector actors involved in the maritime trade of crude oil and refined petroleum products, provides recommendations concerning specific best practices and reflects our commitment to promoting responsible practices in the industry, preventing and disrupting sanctioned trade, and enhancing compliance with the price cap.

OFAC previously published an [Alert on Possible Evasion of the Russian Oil Price Cap](#) on April 17, 2023.

## GOVERNMENT OF RUSSIA-OWNED SHIP MANAGER

United Arab Emirates-based (UAE-based) **SUN Ship Management D Ltd** (SUN Ship) is owned by Government of Russia-owned fleet operator Joint Stock Company Sovcomflot (SCF) and manages vessels owned by SCF. SCF is subject to certain restrictions under Directive 3 of Executive Order (E.O.) 14024.

SUN Ship manages the [SCF Primorye](#), a vessel OFAC previously identified as having engaged in the transport of Russian crude oil priced above \$60 per barrel after the price cap came into effect while using services of a covered U.S.-based provider. OFAC identified the [SCF Primorye](#) as property in which the U.S.-designated shipping company Lumber Marine SA has an interest.

SUN Ship was designated pursuant to E.O. 14024 for being owned or controlled by, or for having acted for or purported to act for or on behalf of, directly or indirectly, the Government of the Russian Federation. SUN Ship has also been sanctioned by the European Union and United Kingdom.

## UNDER-THE-RADAR TRADERS OF RUSSIAN OIL

Since the imposition of the price cap, little-known oil traders with opaque ownership structures have emerged as frequent participants in the seaborne transport of oil produced by major Russian oil companies, shipping up to half of Russia's oil exports. As underscored in the October 12, 2023 Price Cap Coalition Advisory for the Maritime Oil Industry and Related Sectors, it is recommended that industry stakeholders conduct increased diligence when dealing with intermediary companies, such as traders, that conceal their beneficial ownership or otherwise engage in unusually opaque practices. Such companies may be more likely to engage in deceptive practices and expose counterparties to heightened risks. Due diligence is especially important where market assessments indicate that Russian oil prices exceed the price cap, and Price Cap Coalition services are being used or sought.

Hong Kong-based **Bellatrix Energy Limited** (Bellatrix) has sharply increased its share of the trade of Russian oil since the price cap policy was implemented. Since the middle of June 2023 alone, vessels chartered by Bellatrix have made more than 150 port calls in Russia. Since Russia's full-scale invasion of Ukraine, Bellatrix has traded tens of millions of tons of crude oil and other products of Russian state-owned oil companies and has received a loan worth hundreds of millions of dollars from a Russian state-owned bank. Bellatrix has also borrowed from [Joint Stock Company Russian Regional Development Bank](#), which OFAC designated on November 2, 2023.

Hong Kong-based **Covart Energy Limited** (Covart) has sharply increased its share of the trade of Russian oil since the price cap policy was implemented. Since May 2023, vessels chartered by Covart have made at least 23 port calls in Russia. Covart also owns a Russia-flagged vessel, the **Sanar 15** (IMO 9777670).

Among the vessels that have made port calls in Russia while chartered by Covart were the [HS Atlantica](#), [NS Champion](#), and [Viktor Bakaev](#), all of which have been identified as having engaged in the transport of Russian crude oil priced above \$60 per barrel after the price cap came into effect while using services of a covered U.S.-based provider. OFAC identified the [HS Atlantica](#), [NS Champion](#), and [Viktor Bakaev](#) as property in which U.S.-designated shipping companies HS Atlantica Limited, Sterling Shipping Incorporated, and Streymoy Shipping Limited, respectively, have an interest.

UAE-based **Voliton DMCC** (Voliton), formerly known as Petrokim Trading Middle East and Asia DMCC, has also sharply increased its share of the trade of Russian oil since the price cap policy was implemented. Since June 2023, vessels chartered by Voliton have made at least eight port calls in Russia.

Bellatrix, Covart, and Voliton were designated pursuant to E.O. 14024 for operating or having operated in the marine sector of the Russian Federation economy. The *Sanar 15* was identified as property in which Covart has an interest.

## SANCTIONS IMPLICATIONS

As a result of today's action, all property and interests in property of the persons above that are in the United States or in the possession or control of U.S. persons are blocked and must be reported to OFAC. In addition, any entities that are owned, directly or indirectly, 50 percent or more by one or more blocked persons are also blocked. All transactions by U.S. persons or within (or transiting) the United States that involve any property or interests in property of designated or blocked persons are prohibited unless authorized by a general or specific license issued by OFAC, or exempt. These prohibitions include the making of any contribution or provision of funds, goods, or services by, to, or for the benefit of any blocked person and the receipt of any contribution or provision of funds, goods, or services from any such person.

The power and integrity of OFAC sanctions derive not only from OFAC's ability to designate and add persons to the SDN List, but also from its willingness to remove persons from the SDN List consistent with the law. The ultimate goal of sanctions is not to punish, but to bring about a positive change in behavior. For information concerning the process for seeking removal from an OFAC list, including the SDN List, please refer to [OFAC's Frequently Asked Question 897 here](#). For detailed information on the process to submit a request for removal from an OFAC sanctions list, please [click here](#).

For identifying information on the entities sanctioned and vessels identified today, [click here](#).

###