

G7 Price Cap Exception FAQs

1. What is the price cap exception?

The G7 nations have agreed to implement a coordinated price cap on the sale price of oil to reduce the extent of price increases. The intention behind the price cap is to allow the export of Russian oil into world markets but limit Russia's revenue from those sales. The price cap came into force after 5th December, 2022 for crude oil and 5th February, 2023 for refined petroleum products

The current price cap for crude oil was set on 3rd December, 2022 at US\$60 per barrel.

The price caps for refined petroleum products were set on 3rd February, 2023 for application from 5th February, 2023. Two different price caps have been agreed depending upon whether the petroleum product trades at a "premium to crude" (such as diesel, kerosene and gasoline) or "discount to crude" (such as fuel oil and naphtha). The relevant price caps are (1) US\$100 per barrel for premium to crude products and (2) US\$45 per barrel for discount to crude products.

2. How does it operate?

There is now a prohibition on G7 countries providing specified maritime services unless the Russian oil/petroleum products being carried fall at or below the agreed price cap. The price caps are adjustable over time and may be amended in the future to reflect market developments.

Based on guidance published by the UK, EU and US (further detailed below), the price cap exception relies upon an attestation process whereby each party in the maritime supply chain (including shipowners and insurers) will need to retain and share price information/attestations to demonstrate that the oil/petroleum products purchased are at or below the specified price cap.

We set out the current UK, EU and US positions in respect of implementing the price cap and the applicable sanctions position below.

3. How does the price cap interact with UK sanctions?

The HM Treasury Guidance on the price cap and the prohibition on maritime services can be found [here](#). We would recommend that Members read the detailed guidance but we summarise some of the main points below.

Under UK sanctions, there is a maritime transportation ban on the delivery or supply of Russian oil or oil products falling within commodity codes 2709 (petroleum oils and oils obtained from bituminous minerals, crude (including clean condensate)) or 2710 (petroleum oils and oils obtained from bituminous minerals, other than crude; preparations not elsewhere specified or included, containing by weight 70% or more of petroleum oils or oils from bituminous mineral (including HSFO, VGO, Kerosene)) from Russia to a third country or from one third country to another third country.

The ban in respect of code 2709 crude products came into effect on 5th December, 2022 and the ban in respect of code 2710 refined petroleum products came into effect on 5th February, 2023. In addition, it is also prohibited to provide 'associated services', which includes financial services, funds and brokering services, to anyone who is supplying or delivering by ship oil or oil products from the same dates. A wind down period applied for code 2709 products which had been loaded prior to 5th December, 2022 and which were delivered and customs cleared in a third country by 19th January, 2023. A similar wind down period applies for code 2710 products which have been loaded before 05:01am GMT on 5th February, 2023 and which are delivered in a third country by 05.01am GMT on 1st April, 2023. The legislation implementing the ban can be found [here](#).

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3. How does the price cap interact with UK sanctions? (cont.)

The price cap mechanism is, essentially, a limited exception to the above sanctions such that it is permitted to supply or deliver to a third country by ship Russian oil/oil products (and provide associated services) where they have been purchased or sold at or below the published price cap. The price cap exception, along with requirements relating to price sharing, attestations, reporting and record keeping, is set out in the relevant [General Licence](#).

The price cap applies from receipt of cargo on to the ship up to the point where it is delivered and passes through customs control into a third country, or is substantially transformed into a different product. Russian oil/oil products will be considered to be at or below the price cap when the price per barrel is at or below the price cap at the date of the most recent transaction (being the most recent transaction in the period of time between the oil/oil products first being loaded onto the ship and offloading at a third country at the point which they pass through customs).

It is important to note that the price cap exception does not apply to the importation of Russian oil/petroleum products into the UK, which remains prohibited.

4. How does the price cap interact with EU sanctions?

In its [eighth package of sanctions](#) published on 6th October, 2022, the EU set out how the intended price cap mechanism would interact with the current restrictions. The European Commission has also published a Q&A on the application of the price cap, which can be found [here](#).

Following implementation of the price cap, the carriage of Russian crude oil falling within CN code 2709 00 and other petroleum products falling within CN code 2710 is permitted to non-EU countries if the purchase price per barrel does not exceed the published price cap.

In addition, EU insurers/reinsurers can provide insurance cover provided that the purchase price is at or below the published price cap. If the price cap changes thereafter, there will be a 90-day wind down for contracts entered into before the date of the price cap change (provided those contracts comply with the previous price cap).

It is prohibited to import CN code 2709 00 crude products into the EU from 5th December, 2022 and CN code 2710 petroleum products from 5th February, 2023.

Based on the information provided in the EU's eighth package of sanctions, the implementation of the price cap has not changed that position and the importation of these goods is banned from the relevant dates. It should be noted that the Regulations contain specific exceptions in respect of the carriage of (i) CN code 2709 00 and CN code 2710 products to Bulgaria and (ii) vacuum gas oil falling under CN code 2710 19 71 to Croatia. Each exception contains specific conditions and Members are encouraged to contact the Club for further information as required.

5. What is the position in respect of the US implementation of the price cap?

The US Department of the Treasury issued preliminary guidance on the US implementation of the price cap and ban on maritime services (which includes trading/commodities brokering, financing, shipping, insurance, flagging and customs brokering) on 9th September, 2022 which can be found [here](#). Following implementation of the relevant price caps, further guidance has been issued by OFAC which can be found [here](#).

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5. What is the position in respect of the US implementation of the price cap? (cont.)

There is a ban on the maritime transportation of Russian crude oil and petroleum products from 5th December, 2022 and 5th February, 2023 respectively. A wind down period applied for Russian crude oil loaded before 5th December, 2022, provided it was discharged before 19th January, 2023. A wind down period also applies for Russian petroleum products that are loaded prior to 12:01am EST on 5th February, 2022 and discharged at the port of destination prior to 12:01am EST on 1st April, 2023.

This is subject to an exception in respect of Russian oil or petroleum products purchased at or below the agreed price caps which are exported to third countries. The price cap applies from the date when the cargo is sold by a Russian entity for maritime transport up to the point where it is delivered and passes through customs clearance in a third country, or when it is substantially transformed into a different product.

The price cap exception does not apply to the importation of Russian crude oil and petroleum products into the United States, which remains prohibited. Furthermore, OFAC have recently published an [alert](#) to warn US persons about the possible evasion of the price cap on Russian crude oil, particularly oil exported through the Eastern Siberia Pacific Ocean pipeline and ports on the eastern coast of the Russian Federation. It should be noted that [General License 56A](#) also provides for an exception in respect of the carriage of petroleum products into Bulgaria, Croatia or landlocked EU states as provided for in the EU Regulations (see FAQ 4 above).

6. What attestations are required by the Club?

If Members are carrying Russian origin oil or refined petroleum products it will be necessary (subject to any exceptions to the sanctions) to complete a simple attestation form. This should be completed so that the Managers are then able to assist Members. A copy of the form can be found [here](#).